Montclair State University
(A Component Unit of the State of New Jersey)

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2020 and 2019

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Montclair State University
(A Component Unit of The State of New Jersey)

Financial Statements

June 30, 2020 and 2019

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Independent Auditors' Report

The Board of Trustees
Montclair State University

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Montclair State University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PKF O'CONNOR DAVIES, LLP
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Montclair State University as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of employer contributions, schedules of proportionate share of the net position liability and schedules of the State's proportionate share of the OPEB liability associated with the University State health benefit State retired employees plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PKF O'Connor Davies, LLP

Cranford, New Jersey
February 22, 2021

Management's Discussion and Analysis

The objective of Management's Discussion and Analysis ("MD&A") is to help readers of the Montclair State University financial statements better understand the financial position and operating activities of the University, as of and for the year ended June 30, 2020, with selected comparative information for the years ended June 30, 2019 and 2018. Management prepared this discussion and it should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2020, 2019, and 2018) in this discussion refer to the fiscal years (FY) ended June 30.

Montclair State University's financial report communicates financial information for Montclair State University (the "University" or "MSU"), and its foundation, Montclair State University Foundation ("MSUF") through three primary financial statements and notes to the financial statements - the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. The MSUF financial statements are presented discretely from the University. The MD&A discusses the business type activities of Montclair State University and does not include the Foundation. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

Montclair State University

Montclair State University is a leading institution of higher education in New Jersey dating back to 1908. Designated a Research Doctoral University by the Carnegie Classification of Institutions of Higher Education, and classified by the New Jersey Secretary of Higher Education as a doctoral degree-granting institution, the University's eleven colleges and schools serve more than 21,000 undergraduate and graduate students with more than 300 doctoral, master's and baccalaureate level programs. Situated on a 252-acre suburban campus just 12 miles from New York City, Montclair State delivers the instructional and research resources of a large public university in a supportive, sophisticated and diverse academic environment.

In 2020, U.S. News & World Report ranked the University at No. 87 out of 209 top public schools in the nation and No. 176 out of 389 national universities. The University's graduate programs in education is ranked among the nation's best in U.S. News & World Report's 2020 Best Education Schools. The University's online MA in Educational Leadership program is ranked No. 19 in Best Online Graduate Education Programs.

The institution has earned the designation of R2 – Doctoral University – High Research Activity – in the latest Carnegie Classification of Institutions of Higher Education. Seen as the national standard for college and university classifications, the Carnegie Classification has been the leading framework for recognizing and classifying the diversity of U.S. higher education institutions since 1970.

Financial Highlights

Despite the challenges of the COVID-19 pandemic, both financial and operational, results for FY 2020 remained consistent with prior results. During the spring semester, the University made an unprecedented transition to online instruction to ensure academic continuity. Lost revenues from room and board refunds and other canceled programs, and increased expenses for technology costs, enhanced cleaning, disinfecting and personal protective equipment were partially offset by other cost reductions and the availability of CARES Act funding.

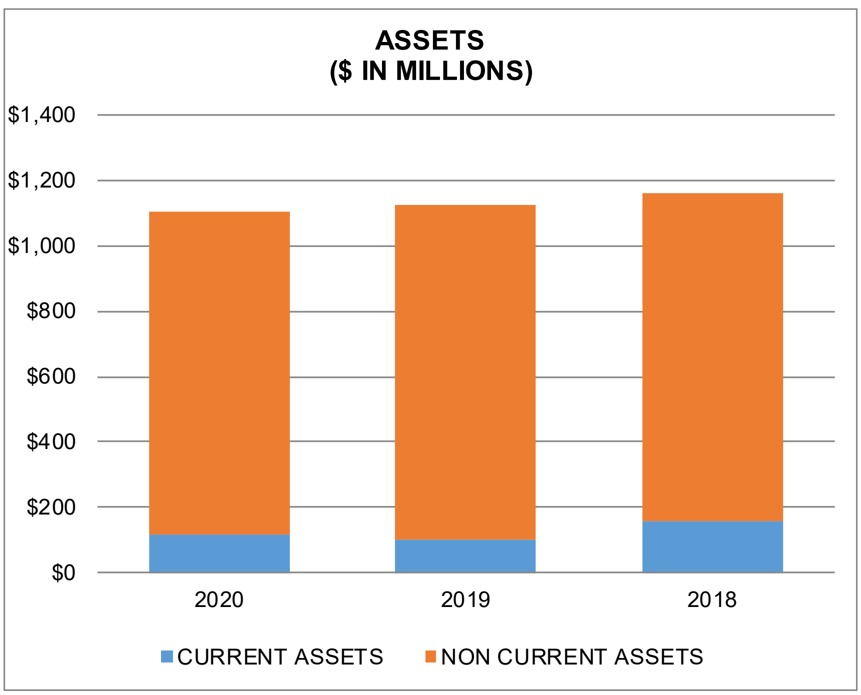
Since receiving the R2 designation, the University has continued to expand its research portfolio with the receipt of $78 million of awards in FY 2020.

On March 31st, the University completed its acquisition of Floyd Hall Arena (FHA) resulting in the capitalization of purchase costs of $9 million which was recorded as a deferred outflow in 2019. The facility now named the Montclair State University Ice Arena, opened in 1998 and houses two National Hockey League sized rinks.

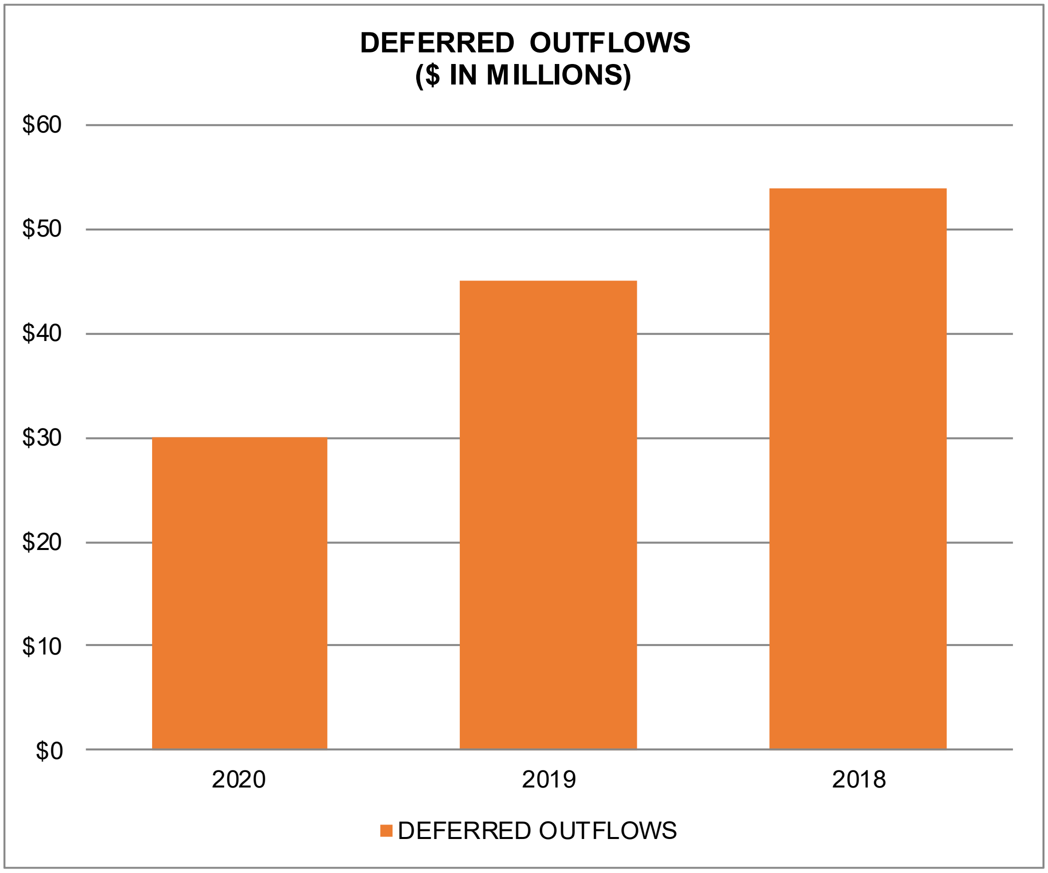
On May 14th, the University announced the closure of the New Jersey School of Conservation effective July 1. During FY20 revenue was $546 thousand and expense of $1.8 million resulting in net operating loss of $1.31 million. In FY 2019 revenue was $638 thousand and expenses $1.9 million resulting in a net operating loss of $1.33 million. Costs incurred after June 30 are estimated at $341 thousand and are included in discontinued operations expense of $1.26 million.

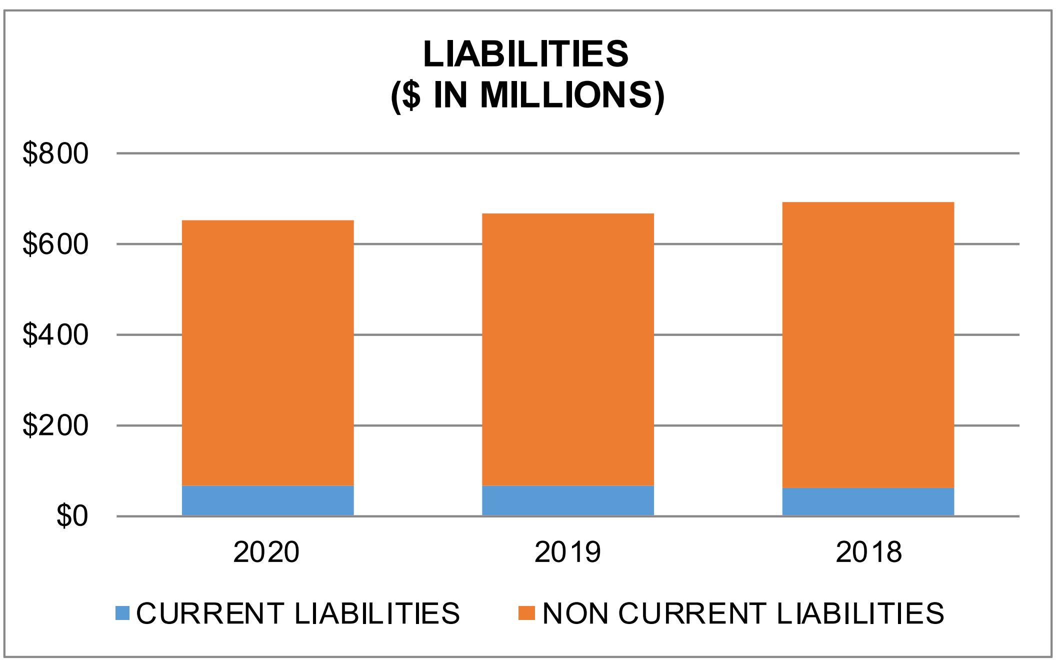
In 2018, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB), which establishes standards of accounting and financial reporting for certain benefits that state and local governments provide to their retired employees. The statement seeks to improve the accounting and financial reporting for postemployment benefits by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows, revenues, and expenses. Pursuant to this standard, the University did not record its proportionate share of the accumulated OPEB liability and related deferrals due to its special funding status. The University did recognize $1.7 million, $16.8 million and $24.8 million in OPEB expense in 2020, 2019 and 2018, respectively. OPEB expense was allocated to each operating functional category in the Statement of Revenues, Expenses, and Changes in Net Position, based on the proportionate share of total personnel and non-personnel operating expenditures. Because the State of New Jersey is responsible for funding OPEB costs, an amount equal to the total OPEB expense was recorded as a non-operating revenue on the same financial statement.

THE UNIVERSITY'S FINANCIAL POSITION

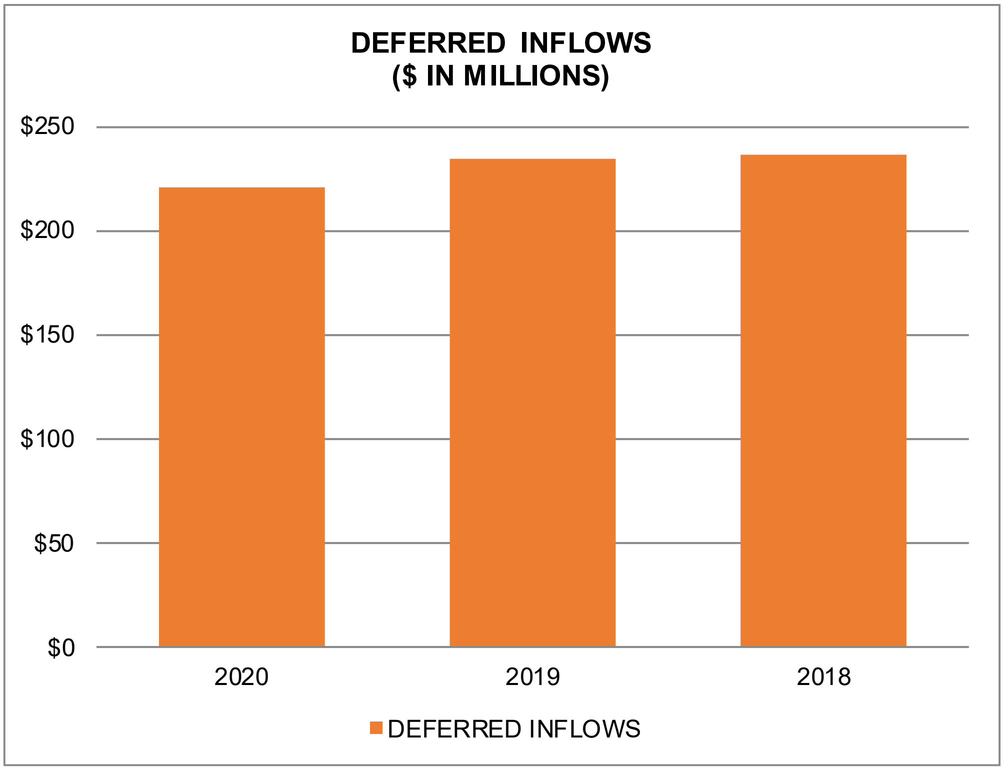


The GASB requires that deferred outflows of resources be reported in the financial statements apart from assets. The deferred outflows represent the consumption of net position applicable to future reporting periods.

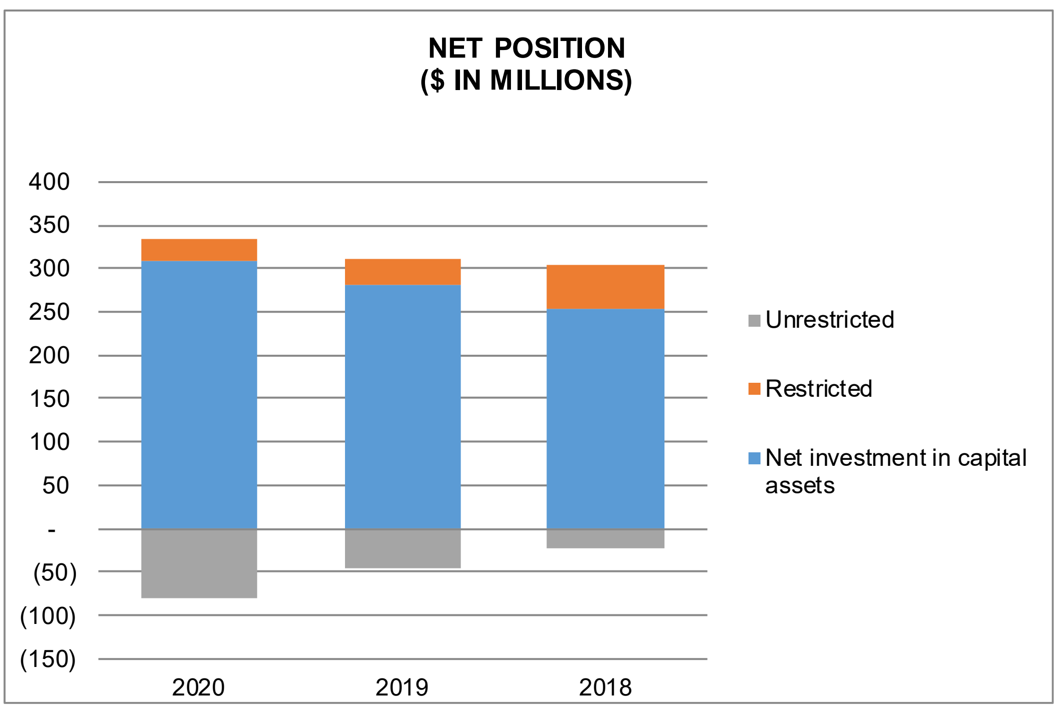

DEFERRED OUTFLOWS
($ IN MILLIONS)
$60
$50
$40
$30
$20
$10
$0
2020
2019
2018
DEFERRED OUTFLOWS


LIABILITIES
($ IN MILLIONS)
$800
$600
$400
$200
$0
2020
2019
2018
CURRENT LIABILITIES
NON CURRENT LIABILITIES

The GASB requires that deferred inflows of resources be reported in the financial statements apart from liabilities. The deferred inflows represent the acquisition of net assets that are applicable to a future reporting period, for example deferred revenue and advance collections.



The statement of net position presents the financial position of the University at the end of each year. The sum of assets and deferred outflows, less the sum of liabilities and deferred inflows, is the organization's net position.

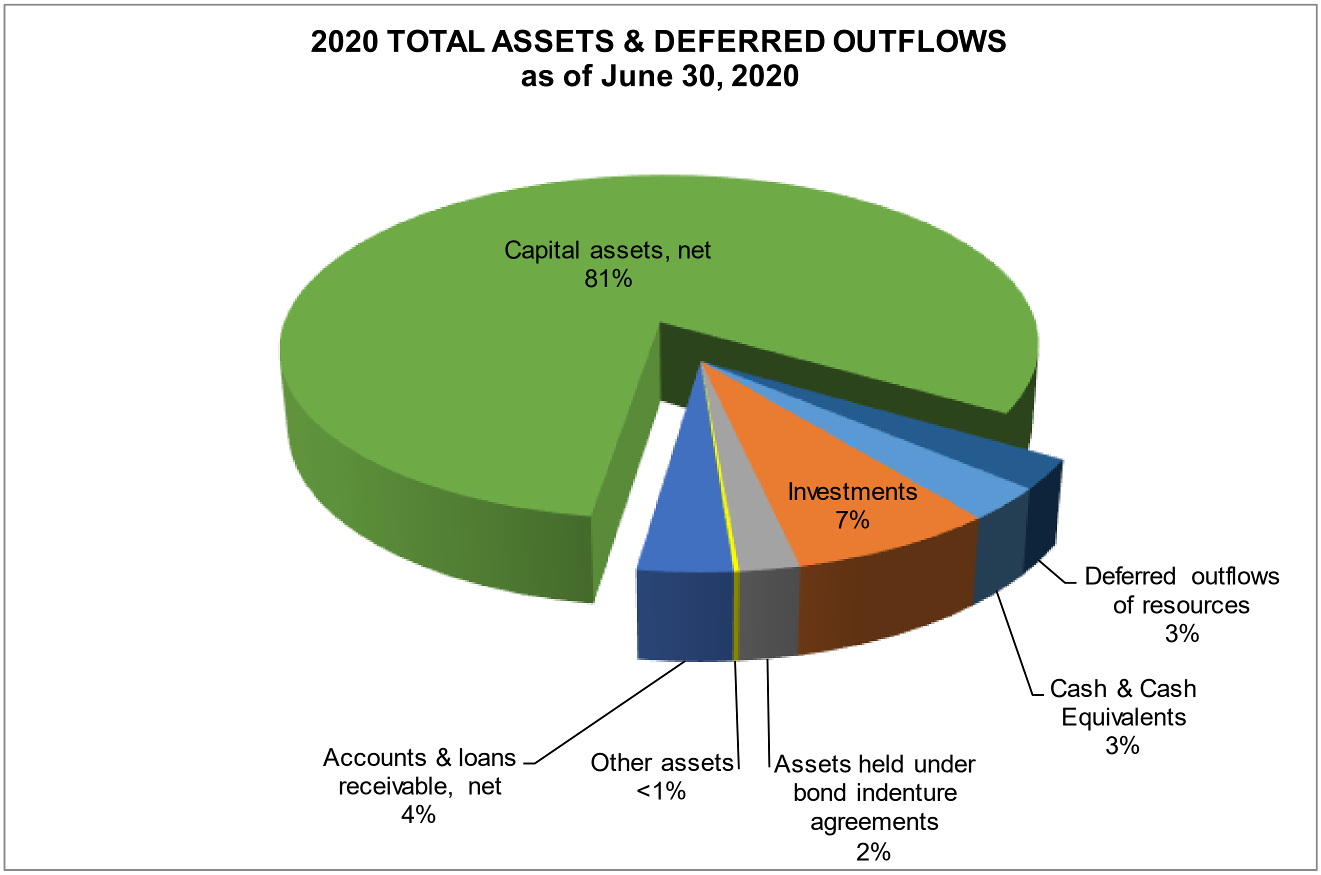


The major components of the assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2020, 2019 and 2018 are as follows:

(in thousands of dollars)

	2020	2019	2018
ASSETS			
Cash & cash equivalents	$ 33,584	$ 28,975	$ 23,768
Investments	84,095	113,892	128,579
Assets held under bond indenture agreements	24,477	31,104	51,082
Accounts & loans receivable, net	38,874	34,380	39,850
Capital assets, net	920,232	914,203	913,569
Other assets	2,151	1,515	1,895
Total assets	1,103,413	1,124,069	1,158,743
DEFERRED OUTFLOWS OF RESOURCES	30,371	45,408	53,745
LIABILITIES			
Bonds payable & other debt	400,510	413,622	426,953
Accounts payable & accrued expenses	39,829	41,083	39,376
Net pension liability	192,948	195,357	207,673
Unearned tuition and grant revenues	12,594	10,007	8,969
Other liabilities	8,036	10,060	11,897
Total liabilities	653,917	670,129	694,868
DEFERRED INFLOWS OF RESOURCES	225,824	233,788	236,264
NET POSITION			
Net investment in capital assets	308,902	279,572	254,446
Expendable	25,127	31,105	51,082
Unrestricted	(79,986)	(45,117)	(24,172)
Total net position	$ 254,043	$ 265,560	$ 281,356

The University's Assets and Deferred Outflows



The University's total assets and deferred outflows of resources decreased to $1.134 billion in 2020, from $1.169 billion in 2019 and $1.212 billion in 2018. Total assets decreased mainly due to the reduction in investments, due to drawdowns of proceeds principally for the College Hall renovation project described below; and due to reductions in investments to meet outlays for university-funded capital projects. Deferred outflows decreased $15 million due mainly to purchase of the Floyd Arena and changes in the University's net pension liability. This net pension liability decrease is primarily driven by changes in actuarial assumptions in the discount rate. The interest rate of return remained unchanged at 7% in both years. Discount rate increased from 5.66% to 6.28% for PERS and from 6.51% to 6.85% for PFRS.

Cash & cash equivalents

The University maintains cash balances sufficient to meet operating liquidity needs, to maximize earnings on those funds, and to comply with board approved investment guidelines. University cash and cash equivalents are held primarily in its operating bank account and in the State of New Jersey Cash Management Fund. The average monthly balance held in these accounts declined from $47.2 million in 2019 to $42.5 million in 2020. The balance at June 30, 2020 was $7.2 million lower than at June 30, 2019.

To minimize the risk of loss in the event of a bank failure and as required by NJ State law, the University has a tri-party collateral management agreement with Bank of America, its primary operating bank, and Bank of New York Mellon, as custodian. Under this arrangement, deposits in excess of federally insured amounts are collateralized. Cash and cash equivalents also includes a portion of the University's investment funds which are held in custody by PNC Institutional Asset Management (PNC) and managed by Pacific Investment Management Company, LLC (PIMCO).

Investments

Additions to University investments are the product of excess operating cash, which is invested in various assets by PIMCO in accordance with the policy established by the Board of Trustees. The overall investment objective of the Short Term Investment Portfolio is to provide a high level of current income consistent while preserving capital and liquidity. The investment policy permits purchases of fixed income instruments including US obligations, money market instruments, repurchase agreements, commercial paper, certificates of deposit, corporate bonds, and floating rate securities without interest rate caps that meet the approved criteria for quality, diversification, liquidity, and maturity. Investments as of June 30, 2020 were $30 million lower than the previous year; $84.1 million compared to $113.9 million, which is largely attributable to outlays for university-funded capital projects.

Assets held under bond indenture agreements

The University funds much of its major capital improvements with public bonds issued through the New Jersey Educational Facilities Authority (the “Authority”), whose mission is to help college and university clients obtain low-cost financing for the development of their facilities. Generally, the change in assets held is attributable to reimbursement drawdowns, new refundings (if any), and the effect of changes in the market value of unspent invested proceeds. Assets held under bond indenture agreements decreased $7 million, largely due to the drawdown of Series 2014A funds for the renovation costs of College Hall.

Accounts & loans receivable, net

Accounts receivable include amounts due from students, state and federal government contracts and grants, and private grants and contracts. Receivables fluctuate based on the timing of collections. Student accounts which are past due twelve months are reserved for at 50% and those past due twenty-four months are written off. Accounts & loans receivable, net at June 30, 2020 were $4 million higher than at June 30, 2019 due to timing of drawdowns.

The Perkins loans receivable balance was $2.4 million in FY20 and $3.1 million in FY19. Per federal regulations, Perkins loans are no longer being awarded and disbursed. The Federal Perkins Loan Program expired on September 30, 2017 and no new disbursements were permitted after June 30, 2018. The Perkins loan was a low-interest (5%) loan available to both graduate and undergraduate students with exceptional financial need. It is a Title IV, campus-based loan, made up of university and federal dollars, with the university acting as lender. Heartland Campus Solutions ECSI services this loan on behalf of the University and determines the reserves against the loan.

Capital assets, net

Capital spending during 2020 continued at a brisk pace in order to provide the facilities necessary to support the University’s teaching, research and public service mission. Capital spending includes construction and renovation of academic buildings, research laboratories, libraries, student services, housing facilities, clinical facilities, parking structures and other improvements to the campus infrastructure. In 2020 capital assets, net increased by $6 million over 2019. Assets increased $52 million and accumulated depreciation increased $46 million.

On March 31, 2020, the University completed the acquisition of the Floyd Hall Ice Arena.

Renovations completed during FY 2020 included:

- Richardson Hall - a renovation of a 40-year old, three-story 78,000 square foot facility. This will accommodate instructional and research programs in Mathematics, Science, Informatics, Chemical Biology, Physics, Chemistry and Biochemistry.
- The Panzer Athletic Center varsity basketball court has been resurfaced to meet new NCAA requirements and features updated University Athletics logos and graphics.

- The Brantl Hall renovation project included replacement of carpet, seating, ceiling, improved high efficiency LED lights and the addition of a state-of-the-art audio-visual system, which will deliver the best remote teaching capabilities currently available.
- University Hall Exterior Patch & Paint - University Hall is MSU's largest academic building on campus, constructed in 2006. It was in need of exterior repairs and enhancements to the stucco facade, which in turn shall improve the buildings visual appearance and thermal envelope. The project is a repair of the existing stucco façade which has experienced significant staining, discoloration, failed control joints, water infiltration, biological growth.

Construction in progress during 2020 included:

- College Hall is a phased renovation and expansion of the University's original and historic building, which is 110 years old. This will serve as, among other functions, the home to an integrated student service center known as "Red Hawk Central" including the admissions, financial aid, registrar, and student account offices; career development, disability resources, academic advising, and co-op education; and the offices of the President, the Provost, the General Counsel, and the Vice President of Student Development and Campus Life. This project is expected to be completed during the fall of FY 2021.
- University Hall Exterior Repairs is a repair of the existing stucco façade, which has experienced significant staining, discoloration, failed control joints, water infiltration and biological growth. The scope of work began in the summer of 2019.
- Calcia Hall is a two-phase renovation. Phase 1 includes the interior renovation of four digital art labs that make up the College of the Arts Foundations Courses for 2D & 3D Art and Design, Life Drawing, Animation-Illustration Lab and a Digital Literacy Lab which will include a new artwork presentation and gallery space. This renovation will include modest upgrades to the finishes, new LED lighting systems and substantial improvements to the HVAC systems throughout the eastern side of the building. Phase 2 includes architectural improvements to the photography studio and an integrated multi-disciplinary studio for shared Art and Design environments.

Construction completed during 2019 included:

- Bohn Hall was a renovation of a sixteen-floor resident community of approximately 500 students. This project included a new heating/cooling system, elevator upgrade, new windows, painting, and modest exterior building and site improvements.
- Russ Hall Practice Rooms Conversion project included a conversion of seven acoustically rated music practice rooms for the John J. Cali School of Music in the lower level of Russ Hall and the creation of an assembly space on the first floor. The assembly space is multi-functional and used for practice, teaching and recitals. Classes will accommodate approximately 30 students and recitals will host audiences of up to 100 people. The newly renovated space allows for the continued growth of the music program.

Other assets

Other assets include other prepaid expenses of $142 thousand and deposits related to software licenses of $1.9 million.

The University's liabilities and deferred inflows

The University's liabilities and deferred inflows of resources decreased by $24.2 million in 2020, from $879.7 million in 2020 and $903.9 million in 2019. The decline in 2020 was attributable to a $13 million decrease in bonds payable and other debt, and amortized debt refundings $5 million and concession agreement $7M and a $3M decrease in other liabilities and accrued expenses. This was offset by a $4 million deferred inflow from Cares Act Assistance.

Debt

Capital assets are funded from a variety of sources, including University unrestricted cash & cash equivalents, investments, federal and state support, revenue bonds, and leases.

University debt is used to partially finance the addition of new capital assets. Amounts outstanding at the end of 2020, 2019 and 2018 were $400.5 million, $413.6 million, and $426.9 million respectively.

The table below shows the components of the $13.1 million decrease in outstanding debt in 2020, and the $13.3 million decrease that occurred in 2019.

($ in thousands)	2020	2019	2018
Beginning Balance	$ 413,622	$ 426,953	$ 439,319
ADDITIONS TO OUTSTANDING DEBT			
Capital leases	1,424	1029	647
Additions to outstanding debt	1,424	1,029	647
REDUCTIONS TO OUTSTANDING DEBT			
Scheduled principal payments	(13,776)	(13,600)	(12,352)
Reductions to outstanding debt	(13,776)	(13,600)	(12,352)
Amortization of bond premium/discount - net	(760)	(760)	(661)
Net decrease in outstanding debt	(12,352)	(12,571)	(12,366)
Ending Balance	$ 400,510	$ 413,622	$ 426,953

As of June 30, 2020, the University had outstanding indebtedness in the form of annual rentals it assumed under certain leases and agreements with the NJEFA of $378 million.

In addition, the University is obligated to service debt with principal totaling approximately $7 million, under several state programs that support capital improvements, environmental infrastructure, and education-related technologies.

During 2016, the NJEFA issued two new revenue bonds totaling $192.0 million, Montclair State University Issue Series 2015D and 2016B, to refund bonds originally issued in previous years to finance various campus construction and renovation projects. These transactions enabled the University to reduce its outstanding debt as noted in the table above, as well as to reduce its annual interest expense. Over the two-year period, interest expense declined from $15.2 million in 2018 to $14.2 million in 2020.

The composition of the University's long-term debt as of June 30, 2020, 2019, and 2018 follows:

LONG TERM DEBT
($ IN THOUSANDS)

	2020	2019	2018
NJEFA Revenue Bonds	$ 377,745	$ 389,405	$ 400,335
Higher Education Capital Improvement Fund	4,749	5,481	6,190
NJ Environmental Infrastructure Trust	522	692	848
Higher Education Equipment Leasing Fund Program	119	154	188
Note Payable			647
Leases	2,087	1,843	1,938

During FY 2019, Moody's Investor Service downgraded the ratings on the University's outstanding NJEFA revenue bonds from A1 "negative" outlook, to A2 "stable" outlook. In June 2019, Fitch Ratings placed its AA- rating on the University's outstanding revenue bonds Under Criteria Observation (or UCO), following the publication of its new ratings criteria for U.S. colleges and universities. In November 2019, Fitch Ratings completed its review of the University's outstanding revenue bonds UCO, and the University's rating was changed to 'A+' from 'AA-" with a stable outlook. In November 2020, Fitch Ratings has affirmed the 'A+' rating with a stable outlook. There were no changes to the University's debt ratings in FY 2020.

Net pension liability and retiree health benefits

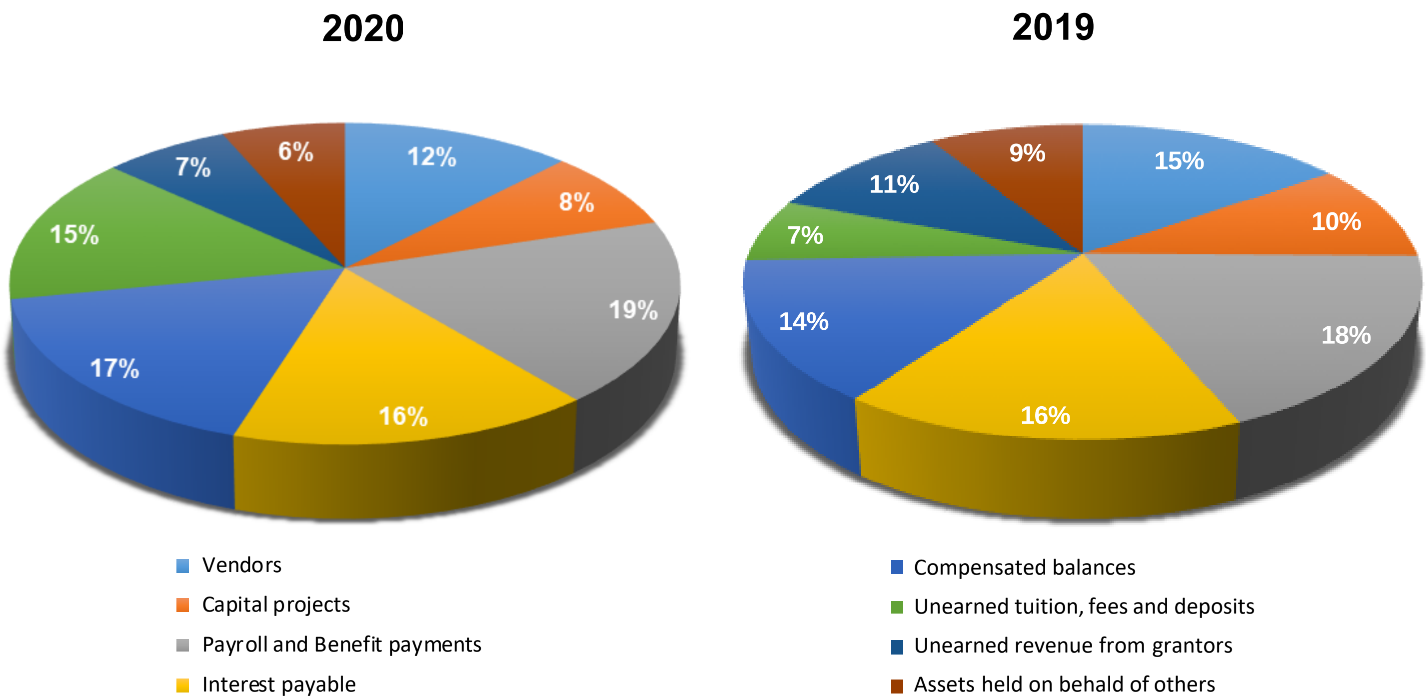
In accordance with GASB 68, beginning in 2015 the University recorded on its financial statements its proportionate share of the net pension liability and related pension amounts as determined by the State of New Jersey, Division of Pensions and Benefits. The State of New Jersey contributes to the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS). Historically, the State of New Jersey has directly covered pension contributions on behalf of the University and there are no current changes to this legislation. The University's share of the net pension liability was $192.9 million, $195.4 million and $207.7 million in 2020, 2019 and 2018, respectively. The decline in the accumulated net pension liability for 2020 was driven primarily by changes in actuarial assumptions. The actuarial valuation for 2020 is based on a measurement date as of June 30, 2019.

For the years 2019, 2018 and 2017 the portfolio's total investment rate of return was 7.00%, 7.00%, and 7.00%, respectively. The liability as of June 30, 2020, which reflects the present value of projected future payments to those already retired and those who will retire with benefits due, decreased by $2.4 million (1.23%).

The decrease is largely attributable increases in the discount rate (5.66% in 2019 to 6.28% in 2020 for PERS and 6.51% in 2019 to 6.85% in 2020 for PFRS).

Other liabilities

Liabilities, other than those related to pensions and debt, consist of accounts payable and accrued expenses (due to vendors, capital projects, payroll and benefit payments and interest), compensated balances, unearned income, and assets held on behalf of others.



Deferred inflows of resources

Deferred inflows of resources are acquisitions of net position that are applicable to a future reporting period. The deferred component is the recognition of inflows as revenues in relevant future periods. Deferred inflows of resources are related to the University's service concession arrangements, gains on debt refundings and certain changes in net pension liability.

Deferred inflows of resources decreased by $7.96 million in 2020, after having decreased by $2.47 million in 2019.

The $7.96 million decrease in 2020 is due primarily to a $7.3 million decline in deferred service concession revenue (which increases revenue), $4 million due to amortization associated with debt refundings and a $.676 million decrease in deferred inflow from pension resources associated with changes in actuarial assumptions and the university's proportion of the state-wide payroll. The University's share increased from .728% to .747% (PERS) and from .525% to .501%PFRS).

In FY20, the University also recorded a Deferred Inflow from the HEERF portion of the CARES Act financial assistance. The University was awarded $19.9 million in HEERF funds of which $9.96 million is the institution portion and $9.96 million is the student aid portion. While the full amount of the institution portion was received at June 30, $4.3 million of this amount was deferred to match the undistributed portion of the student aid. Student aid must be distributed by April 2021.

Net position

Net position represents the residual interest in the University's assets and deferred outflows after all liabilities and deferred inflows are deducted. The University's net position was $254 million, $266 million, and $281 million in 2020, 2019, and 2018, respectively.

Net position is reported in the following categories: net investment in capital assets; restricted - expendable; and unrestricted.

Net investment in capital assets

The portion of net position invested in capital assets, i.e. net of accumulated depreciation and the related outstanding debt used to finance acquisitions, construction or improvement of these capital assets, was $308.9 million in 2020, an increase from $279.6 million and $254.4 million for the years ended June 30, 2019 and 2018, respectively. The University continues to invest in its physical facilities to address maintenance issues within its campus infrastructure, and to meet its evolving programmatic needs.

Restricted - expendable

Restricted - expendable net position is subject to externally imposed restrictions governing the use of certain assets. A portion of the net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to the University's spending policy; support received from gifts, appropriations or capital grants trustee-held investments; or other third-party receipts. The $7 million decrease in restricted, expendable funds is due principally to the change in assets held under bond indenture, which reflects reimbursements for capital expenditures.

Unrestricted

Under generally accepted accounting principles, net position components not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position was negative in 2020 and 2019 due primarily to the recording of the non-cash obligations for pension benefits that are in excess of University reserves. Increased operational costs, including union contract settlements and the rising cost of fringe benefits, resulted in an increase in the unrestricted net deficit position, from -$45.1 million in 2019 to -$79.9 million in 2020. However, as shown in the adjusted statement below, excluding the effect of the non-cash pension obligation, the unrestricted net position was $158 million in 2019 and $127 million in 2020.

THE UNIVERSITY'S RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net position is a presentation of the University's operating results, and indicates whether the financial condition has improved or deteriorated. In accordance with the GASB requirements, certain significant revenues relied upon and budgeted for operational support of the core instructional mission of the University are required to be recorded as non-operating revenues, including state appropriations, financial assistance, private gifts and investment income. A summarized comparison of the operating results for 2020, 2019 and 2018, arranged in a format that matches the revenue and expense supporting the core activities of the University follows.

Montclair State University
(A Component Unit of The State of New Jersey)

Increase/(Decrease) in Net Position

	2020	2019	2018
REVENUES			
Student revenues, net	$ 216,519	$ 219,305	$ 210,522
State appropriations (general & fringe)*	75,580	75,877	75,733
Federal Pell Grants*	37,456	37,257	35,046
CARES Act	11,293		
State paid other post employment health benefits*	1,665	16,782	24,629
Grants and contracts	56,308	58,157	54,648
Educational activities	5,591	7,178	6,782
Auxiliary enterprises	19,406	21,672	31,075
Private gifts*	2,654	1,837	1,315
Investment income*	2,366	3,107	2,735
Recognition of deferred service concession revenue	7,346	7,346	7,346
Other revenues**	5,666	7,483	8,464
Revenues supporting core activities	**441,850**	**456,001**	**458,295**
EXPENSES			
Salaries and benefits	264,614	261,651	256,642
Services and Fees	45,435	50,951	52,283
Financial Aid before Cares Act	21,632	20,388	20,486
Cares Act - Student Aid	5,597	-	-
Pension benefits	11,771	12,005	14,709
Postemployment health benefits	1,665	16,782	24,629
Utilities	18,223	20,212	20,229
Supplies and materials	6,591	11,816	10,704
Depreciation and amortization	48,878	52,151	56,801
Interest expense*	14,273	14,928	15,201
Settlement expense***	4,826	-	-
Other expenses*	12,129	13,176	8,930
Expenses associated with core activities	**455,634**	**474,060**	**480,614**
Income (loss) from core activities	**(13,784)**	**(18,059)**	**(22,319)**
OTHER NONOPERATING ACTIVITIES			
Net appreciation (depreciation) in fair value	2,330	1,853	(1,741)
Income (loss) before other changes in net position	(11,454)	(16,208)	(24,060)
OTHER CHANGES IN NET POSITION			
Capital gifts and grants, net	1,197	412	3,106
Decrease in net position	**(10,257)**	**(15,796)**	**(20,954)**
Loss on disposal of discontinued operations	(1,260)		
NET POSITION			
Beginning of year, as previously reported (as restated)	265,560	281,356	302,310
End of year	**$ 254,043**	**$ 265,560**	**$ 281,356**

* Represents nonoperating revenues or expenses.

** Other revenues consist of less than 5% of nonoperating revenues and expenses.

*** Relates to Heights housing refunds paid to students due to COVID-19, these refunds are not considered contra revenue as these charges would have been due to Provident Resources Group based on the terms of the concession agreement.

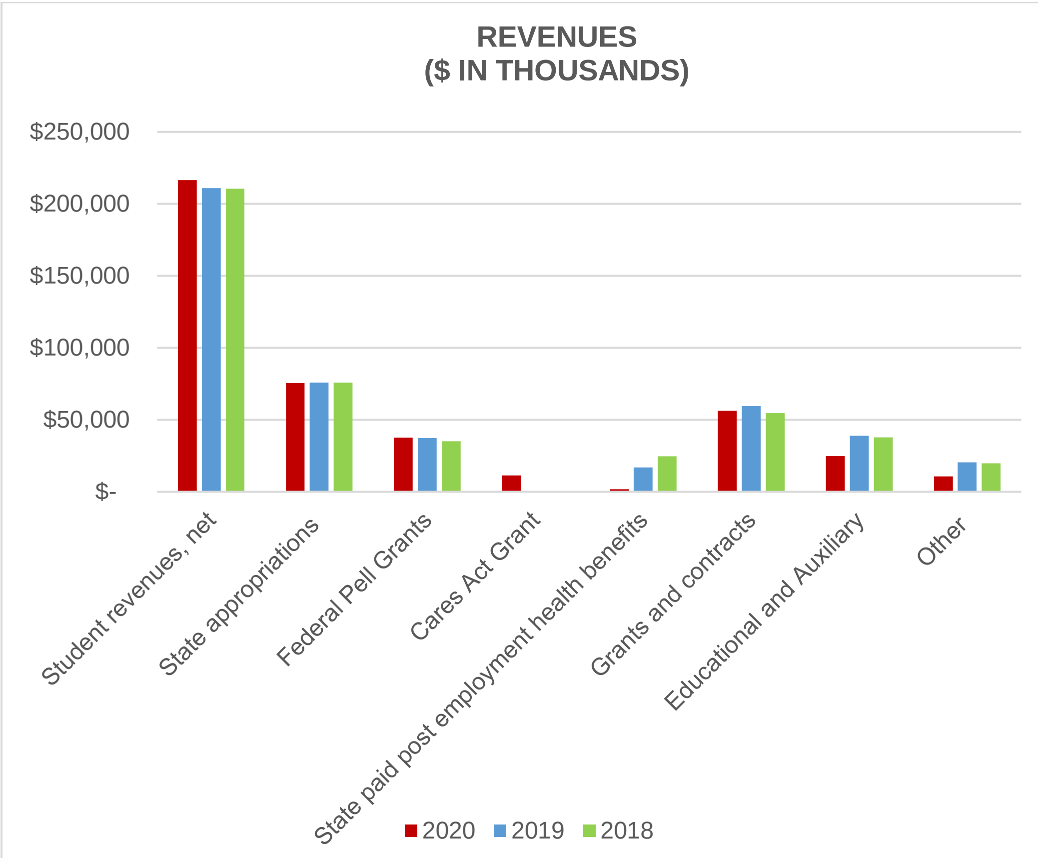
The following represents an illustration of net position and unrestricted net position adjusted for the effects of the GASB 68 pension pronouncement* ($ in thousands):

	2020	2019	2018
Net Position from the Financial Statements			
Net Investment in Capital Assets	$ 308,902	$ 279,572	$ 254,446
Restricted	25,127	31,105	51,082
Unrestricted (Deficit)	(79,986)	(45,117)	(24,172)
Total Net Position - Financial Statements	$ 254,043	$ 265,560	$ 281,356
Adjusted of Unrestricted Deficit Above			
Unrestricted Deficit (as restated)	(79,986)	(45,117)	(24,172)
GASB 68 Pension Adjustment:			
Net Pension Liability	192,948	195,357	207,673
Deferred Outflow of Resources	(28,046)	(34,103)	(42,132)
Deferred Inflow of Resources	41,827	42,503	33,332
Total Unrestricted Net Position (As Adjusted)	$ 126,743	$ 158,640	$ 174,701
Total Net Position (As Adjusted)	$ 460,772	$ 469,317	$ 480,229

* Since GASB75 has no effect in Net Position, it is excluded from the restatement.

Revenues supporting core activities

Revenues supporting the University's core activities, including those classified on the financial statements as non-operating revenues, were $442 million, $456 million and $458 million in 2020, 2019 and 2018, respectively. These diversified sources of revenue decreased by $14 million in 2020 and $2 million in 2019.



The State of New Jersey's appropriations in conjunction with student tuition and fees are core components that support the instructional mission of the University. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country.

Gifts to the University is one source of funding which can be unrestricted (to provide administrators with the flexibility to address immediate needs) or designated to support a specific college, program or other University initiative. Other significant revenues derive from educational activities and auxiliary enterprises such as student housing, food service operations and parking.

Categories of both operating and non-operating revenue that supported the University's core activities in 2020 are as follows:

Student revenues, net

Student revenues are the largest component of operating revenues and are comprised of three main sources: tuition, fees, and room and board. Student revenues are shown net of scholarship allowances and bad debt expense, were $216.5 million, $219.3 million and $220.2 million in 2020, 2019 and 2018, respectively. Student tuition and fees were $250.1 million, $244.9 million and $239.4 million in 2020, 2019 and 2018, respectively. Room and board revenue were $39.3 million, $48.3 million and $49.1 million in 2020, 2019 and 2018, respectively. Bad debt expense totaled $2.4 million, $1.5 million and $1.9 million in 2020, 2019 and 2018 respectively.

The University places a high priority on scholarship assistance as part of its commitment to student access and affordability. Scholarship allowances, or financial aid -- the difference between the stated charge for tuition and fees and the amounts paid by students and third parties on behalf of the student -- are reported as offsets to revenue. Financial Aid is based on the availability of funds. Scholarship allowance decreased 1.3% and increased 9.9% in 2020 and 2019, respectively. Scholarships and fellowships are awarded to students and reported as an offset to their tuition and fees and room and board. They totaled $72.9 million, $73.9 million and $67.2 million in 2020, 2019 and 2018, respectively. Student revenues, net of scholarship allowances and bad debt expense, decreased by $2.8 million in 2020 and $942 thousand in 2019.

In 2020, total student enrollment was 21,007 virtually unchanged compared to the two prior years. Tuition and fee rates increased in 2020 by approximately 2.2%. Room and board revenue decreased by $9 million in 2020 after a decrease of $868 thousand in 2019; this was the net result of $5 million housing refunds and $4 million in meal refunds due to the pandemic. The University also absorbed the receivable for the Heights housing which was offset by lower payments to the operator.

State appropriations

Appropriations from the State of New Jersey totaled $76 million in both 2020 and 2019. The total comprises general operating and fringe benefit reimbursements. Approximately $35 million in general operating was received in 2020 remaining flat to 2019. A slight increase in fringe benefit costs increased reimbursements to $40.7 million in 2020 from $40.0 million in 2019.

State paid other postemployment health benefits

In 2020, the University recognized $1.7 million of revenue and expense from the State of New Jersey attributable to post employment health benefits, in accordance with GASB 75. This was a decrease of $15.1 million compared to 2019. The State is legally obligated to provide the funds required for such benefits and as such, these transactions have no effect on the University's net position.

Grants and contracts

Revenues from grants and contracts were $56 million, $60 million and $55 million in 2020, 2019 and 2018, respectively. The state's Tuition Aid Grant (TAG) decreased by $770 thousand in 2020 compared to the previous year, due to the decrease in the number of recipients 6,583 in fiscal 2019 versus 6,503 in fiscal 2020. The University has 349 awards of which 279 are sponsored external research grants, 36 financial aid grants and 34 contracts. Effective November 2018, the University negotiated a 45% on campus modified total direct cost and a 15.5% off campus basis for charging facilities and administrative costs with the federal government for periods between July 1, 2018 through June 30, 2021. This rate will be applied in proposals and awards funded by externally sponsored grants and contracts. The facilities and administrative revenue was $1.6 million, $1.5 million and $1.3 million in 2020, 2019 and 2018 respectively.

External research grants totaling $11.7 million were awarded to the University in 2020 averaging 3 years from a growing and diverse list of funders, including major grants from the National Science Foundation, the National Institutes of Health, the U.S. Department of Education, the State of New Jersey, and a number of private sponsors, including the John J. Templeton Foundation and the Spencer Foundation. The largest award received in fiscal 2020 was an $8 million Federal grant to encourage Inclusive Education in New Jersey. Montclair State University's Center for Autism and Early Childhood Mental Health (CAECMH) is a co awardee with the New Jersey Coalition for Inclusive Education (NJCIE) having been awarded with this, 5½-year grant through the New Jersey Department of Education's (NJDOE) annual allocation of federal funds from the Individuals with Disabilities Education Act. The grant award will be used to establish the New Jersey Inclusive Education Technical Assistance (NJIETA) project to promote the inclusion of children with disabilities into Pre-K through 12th grade general-education classrooms in New Jersey public schools.

Educational activities and auxiliary enterprises

Revenue from educational activities and programs are generated primarily by the Benjamin Samuels Children's Center, the Benjamin Samuels Early Intervention program, and the Center for Research and Evaluation on Education and Human Services (CREEHS). These revenues decreased $1.6 million primarily due to 3.5 months lost revenues during COVID-19.

Auxiliary enterprises include housing, food service, parking, the bookstore, student center activities, and certain athletic programs. Revenue from auxiliary enterprises, net of allowances, declined by $2.1 million in 2020 due to loss revenues associated with the pandemic following a $545 thousand increase in 2019.

Expenses associated with core activities

Expenses associated with the University's core activities, including those classified as non-operating expenses, were $456 million, $474 million, and $481 million in 2020, 2019 and 2018, respectively.

Overall, expenses excluding depreciation and interest, totaled $392 million in 2020, representing a decrease of $14 million or 3.6%. The decrease in expenses was the result of reduced expenditures due to the pandemic a $5.5 million decrease in services & fees primarily due to a decrease in food & dining services $3.5 million, a $5.2 million decrease in materials and supplies; utilities expense decreased $1.9 million, Other expenses decreased $2.5 million primarily due to reduced travel related expenses; a $17.1 million, decrease in post-employment expenses for pensions ($2 million) and health benefits ($15.1 million). This was offset by an increase in financial aid expense of $6.8 million, of which $5.4 million was funded by the Cares Act, and a $4.8 million write off of non-billable arising from certain housing refunds paid to students due to COVID-19, These refunds are not considered contra revenue as these charges would have been due to Provident Resources Group based on the terms of the concession agreement.

During 2019, total expenses increased by $2.1 million or less than 1%. The modest overall increase in expenses was the net result of a $6 million increase in salaries and benefits and a $7 million increase in other expenses (primarily repairs and maintenance); and decreases in post-employment expenses for pensions ($3 million) and health benefits ($8 million).

Categories of both operating and non-operating expenses related to the University's core activities in 2020 are as follows:

Salaries and benefits

Approximately 61% of the University's 2020 expenses are related to payroll costs and employee benefits (including pension expense). There was an average of 5,997 employees in the University in FY 2020, as compared to 5,834 in fiscal 2019, an increase of 2.8%.

Payroll and benefits increased by $2.8 million or 1.3% in 2020; the total payroll rose from $210.7 million in 2019 to $213.2 million in 2020 1.1%, while fringe benefits costs increased from $50.9 million to $51.4 million 0.9% during the same period.

In 2019, payroll and benefits increased by 2% ($5.7 million) compared to 2018, which was largely attributable to payments made to members of the American Federation of Teachers pursuant to a newly negotiated contract with the AFT.

Pension expense attributable to GASB 68 decreased by $234 thousand 1.9% in 2020, mainly from changes in actuarial assumptions as described above.

The University's pension expenses are summarized below ($ in thousands):

	2020	2019	2018
PERS	$ 9,589	$ 9,319	$ 12,103
PFRS	2,182	2,686	2,606
	$ 11,771	$ 12,005	$ 14,709
TPAF	174	186	250
Alternate Benefit Program (ABP)	12,422	11,509	11,580
Defined Contribution Retirement Program (DCRP)	32	31	32
Total	$ 24,399	$ 23,731	$ 26,571

State-sponsored other postemployment benefits expense attributable to GASB 75 totaled $1.7 and $16.8 million in 2020 and 2019, respectively, which was offset by an equivalent amount of revenue from the state.

Other expenses

Other expenses include travel, rent, lease and grant subrecipients expenses totaled $12.1 million in fiscal 2020 and $14.7 million fiscal 2019. The $2.6 million decrease is due primarily to decrease of $1.3 million decrease in travel expenses and $1.1 million decrease in grant subrecipients expenses.

Operating results

Operating losses of $130.8 million, $138.4 million, and $146.9 million in 2020, 2019 and 2018, respectively, were offset by non-operating revenue that support core operating activities of the University. These include state appropriations, Pell grants, Cares Act financial assistance, gifts and non-exchange grants, state paid other postemployment health benefits, investment income and other non-operating revenue, which totaled $133.8 million, $137.3 million, and $140.0 million, in 2020, 2019, and 2018 respectively. Total expenses associated with core activities in 2020 and 2019 exceeded total revenues supporting core activities by $14 million and $18 million respectively. The $4 million improvement from 2019 to 2020 is attributable to a 15.1 million decrease in GASB 75 postemployment health benefits in 2020, reduced costs due to pandemic of $6 million decrease in service and fees, $5 million decrease in supplies and materials, $3 million decrease in utilities and $3 million increase in certain non-personnel operating costs, as well as $2 million decrease in pension benefits and a $3 million decrease in depreciation, offset by a $7 million increase in financial aid due primarily to additional Cares Act financial assistance of $5.5 million, $4.8 million increase and $2 million increases in salaries & benefits.

OUTLOOK FOR FISCAL 2021

As noted above, the University continues to meet the challenges brought about by the ongoing pandemic through prudent financial management and continues to seek additional funding under available aid programs. The State of New Jersey received $68.9 million in Governor's Emergency Education Relief Fund (GEERF) funding under the CARES ACT through the Department of Education. New Jersey's public institutions of higher education that had experienced hardships due to the COVID-19 pandemic were eligible to submit an application to receive the funds. In July, the University was awarded $6.6 million under this program.

On August 14th, Governor Phil Murphy and the Office of the Secretary of Higher Education announced the allocation of $150 million of Coronavirus Relief Fund (CRF) funds under the CARES Act to New Jersey's public colleges and universities to help offset costs incurred as a result of the ongoing COVID-19 pandemic. The University was awarded $15.1 million of these funds. On November 13th, the Murphy Administration announced an additional $75 million in CRF for a total of $225 million in CRF. The University was awarded $4.7 million of these additional funds.

On January 14, 2021, the Department of Education announced an additional $21.2 billion was available to institutions of higher education to service students and ensure learning continues during the COVID-19 pandemic. This funding was allocated to the Higher Education Emergency Relief Fund II (HEERF II) by the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). The University was allocated $31.7 million of these additional funds pending a signed agreement.

The University remains committed to providing the facilities and resources required to meet its educational, research and public service goals, while maintaining long-term financial sustainability. The University plans to complete the renovation of College Hall, in the fall 2020, which will centralize all admissions, academic support, and other student services in one student-centric location. Support for the University's future capital plans is expected to continue to be provided from a combination of sources including the state of New Jersey, external financing, gifts and other sources.

Dr. Susan A. Cole, Montclair State University's president, announced in September 2020 that she has informed the Board of Trustees of her intention to retire at the end of this academic year, effective July 2021. The Board of Trustees will conduct a national search for the next president and President Cole will remain in office until July 1, 2021 or whenever after that date the next president is able to assume the office.

Additional information concerning state budget matters and the state's financial condition may be found on the website of the New Jersey Department of Treasury at www.state.nj.us/treasury.

Montclair State University
(A Component Unit of the State of New Jersey)

Statement of Net Position
(dollars in thousands)
June 30, 2020

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 33,584	$ 1,622	$ 35,206
Investments	17,111		17,111
Assets held under bond indenture agreements	24,477		24,477
Receivables			
Students, less allowance for doubtful accounts of $4,107	13,179		13,179
Loans, less allowance for doubtful loans of $128	854		854
Grants and contracts	11,986		11,986
State of New Jersey	4,843		4,843
Other receivables	6,458	2,369	8,827
Total Receivables	37,320	2,369	39,689
Other current assets	2,100	92	2,192
Total Current Assets	114,592	4,083	118,675
Noncurrent Assets			
Investments	66,984	84,027	151,011
Loans receivable, less allowance for doubtful loans of $532	1,554		1,554
Capital assets, net	920,232		920,232
Other noncurrent assets	51	5,366	5,417
Total Noncurrent Assets	988,821	89,393	1,078,214
Total Assets	1,103,413	93,476	1,196,889
DEFFERED OUTFLOWS OF RESOURCES			
Deferred amount from debt refundings	1,997		1,997
Deferred outflow of pension resources	28,046		28,046
Deferred outflow of tuition and fees	328		328
Total Deferred Outflows of Resources	30,371	-	30,371
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	39,829	3,240	43,069
Bonds payable and other long-term debt - current portion	14,952		14,952
Unearned tuition, fees, and deposits	8,650		8,650
Unearned revenue from grantors	3,944		3,944
Assets held on behalf of others	847		847
Total Current Liabilities	68,222	3,240	71,462
Noncurrent Liabilities			
Bonds payable and other long-term debt - noncurrent portion	385,558		385,558
Compensated absences - noncurrent portion	2,529		2,529
Assets held on behalf of Federal government for loan programs	2,979		2,979
Net pension liability	192,948		192,948
Other long term liability	1,681		1,681
Total Noncurrent Liabilities	585,695	-	585,695
Total Liabilities	653,917	3,240	657,157
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement	168,899		168,899
Deferred inflow of pension resources	41,827		41,827
Deferred amount from debt refundings	10,740		10,740
Deferred inflow from financial assistance	4,358		4,358
Total Deferred Inflows of Resources	225,824	-	225,824
NET POSITION			
Net investment in capital assets	308,902		308,902
Restricted nonexpendable		49,869	49,869
Restricted expendable for			-
Scholarships		1,820	1,820
Loans	49		49
Donor Designated purpose	601		601
Renewal and replacement	1,950		1,950
Debt service and debt service reserve	22,527		22,527
Other		34,702	34,702
Unrestricted	(79,986)	3,845	(76,141)
Total Net Position	$ 254,043	$ 90,236	$ 344,279

See notes to financial statements

Montclair State University
(A Component Unit of the State of New Jersey)

Statement of Net Position
(dollars in thousands)
June 30, 2019

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 28,975	$ 1,490	$ 30,465
Investments	6,826		6,826
Assets held under bond indenture agreements	31,104		31,104
Receivables			
Students, less allowance for doubtful accounts of $3,245	13,282		13,282
Loans, less allowance for doubtful loans of $190	811		811
Grants and contracts	6,220		6,220
State of New Jersey	4,885		4,885
Other receivables	6,875	5,481	12,356
Total Receivables	32,073	5,481	37,554
Other current assets	1,413	185	1,598
Total Current Assets	100,391	7,156	107,547
Noncurrent Assets			
Investments	107,066	83,001	190,067
Loans receivable, less allowance for doubtful loans of $540	2,307		2,307
Capital assets, net	914,203		914,203
Other noncurrent assets	102	1,645	1,747
Total Noncurrent Assets	1,023,678	84,646	1,108,324
Total Assets	1,124,069	91,802	1,215,871
DEFFERED OUTFLOWS OF RESOURCES			
Deferred amount from debt refundings	2,305		2,305
Deferred outflow of pension resources	34,103		34,103
Deferred outflow from capital purchase	9,000		9,000
Total Deferred Outflows of Resources	45,408	-	45,408
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	41,536	2,714	44,250
Bonds payable and other long-term debt - current portion	13,555		13,555
Unearned tuition, fees, and deposits	3,363		3,363
Unearned revenue from grantors	6,191		6,191
Assets held on behalf of others	2,205		2,205
Total Current Liabilities	66,850	2,714	69,564
Noncurrent Liabilities			
Bonds payable and other long-term debt - noncurrent portion	400,067		400,067
Compensated absences - noncurrent portion	2,423		2,423
Assets held on behalf of Federal government for loan programs	2,981		2,981
Net pension liability	195,357		195,357
Other long term liability	2,451		2,451
Total Noncurrent Liabilities	603,279	-	603,279
Total Liabilities	670,129	2,714	672,843
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement	176,242		176,242
Deferred inflow of pension resources	42,503		42,503
Deferred amount from debt refundings	15,043		15,043
Total Deferred Inflows of Resources	233,788	-	233,788
NET POSITION			
Net investment in capital assets	279,572		279,572
Restricted nonexpendable		47,697	47,697
Restricted expendable for			
Scholarships		1,791	1,791
Renewal and replacement	9,804		9,804
Debt service and debt service reserve	21,301		21,301
Other		34,969	34,969
Unrestricted	(45,117)	4,631	(40,486)
Total Net Position	$ 265,560	$ 89,088	$ 354,648

See notes to financial statements

Montclair State University
(A Component Unit of the State of New Jersey)

Statement of Revenues, Expenses, and Changes in Net Position
(dollars in thousands)
Year Ended June 30, 2020

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
OPERATING REVENUES			
Student Revenues			
Student tuition and fees	$ 250,186		$ 250,186
Residence life - room and board	39,273		39,273
Less scholarship allowance	72,940		72,940
Net Student Revenues	216,519		216,519
Federal grant and contracts	9,737		9,737
State of New Jersey grants and contracts	38,480		38,480
Nongovernmental grants and contracts	8,091		8,091
Sales and services of educational departments	5,591		5,591
Auxiliary enterprises	19,406		19,406
Other operating revenues	12,565	$ 9,152	21,717
Total Operating Revenues	310,389	9,152	319,541
OPERATING EXPENSES			
Instruction	141,278		141,278
Research	18,459		18,459
Public service	13,263		13,263
Academic support	33,594		33,594
Student services	17,112		17,112
Institutional support	51,788	10,493	62,281
Operations and maintenance of plant	36,460		36,460
Depreciation	48,878		48,878
Student aid	23,569		23,569
Residence life and auxiliary enterprises	56,773		56,773
Total Operating Expenses	441,174	10,493	451,667
Operating Loss	(130,785)	(1,341)	(132,126)
NONOPERATING REVENUES (EXPENSES)			
State of New Jersey appropriations	34,813		34,813
State of New Jersey paid fringe benefits	40,767		40,767
Pell grants	37,456		37,456
Financial Assistance - Cares Act	11,293		
State paid other postemployment health benefits	1,665		1,665
Gifts and non-exchange grants	2,654		2,654
Unrealized and realized gains on investment securities	2,330		2,330
Investment income, net of investment expenses of $239	2,366	2,489	4,855
Interest on indebtedness	(14,273)		(14,273)
Administrative costs	(187)		(187)
Other nonoperating revenues	447		447
Net Nonoperating Revenues	119,331	2,489	110,527
Loss Before Other Revenues	(11,454)	1,148	(10,306)
Capital gifts and grants	1,197		1,197
Loss from discontinued operations	(1,260)		(1,260)
(Decrease) Increase in Net Position	(11,517)	1,148	(10,369)
NET POSITION			
Beginning of year	265,560	89,088	354,648
End of year	$ 254,043	$ 90,236	$ 344,279

See notes to financial statements

Montclair State University
(A Component Unit of the State of New Jersey)

Statement of Revenues, Expenses, and Changes in Net Position
(dollars in thousands)
Year Ended June 30, 2019

	Business-Type Activities Montclair State University	Component Unit Montclair State University Foundation	Total
OPERATING REVENUES			
Student Revenues			
Student tuition and fees	$ 244,859		$ 244,859
Residence life - room and board	48,313		48,313
Less scholarship allowance	73,867		73,867
Net Student Revenues	219,305		219,305
Federal grant and contracts	10,251		10,251
State of New Jersey grants and contracts	39,133		39,133
Nongovernmental grants and contracts	8,773		8,773
Sales and services of educational departments	7,178		7,178
Auxiliary enterprises	21,672		21,672
Other operating revenues	14,240	$ 10,695	24,935
Total Operating Revenues	320,552	10,695	331,247
OPERATING EXPENSES			
Instruction	149,779		149,779
Research	17,513		17,513
Public service	15,554		15,554
Academic support	33,517		33,517
Student services	18,102		18,102
Institutional support	54,477	9,846	64,323
Operations and maintenance of plant	42,732		42,732
Depreciation	52,151		52,151
Student aid	16,808		16,808
Residence life and auxiliary enterprises	58,305		58,305
Total Operating Expenses	458,938	9,846	468,784
Operating (Loss) Income	(138,386)	849	(137,537)
NONOPERATING REVENUES (EXPENSES)			
State of New Jersey appropriations	35,859		35,859
State of New Jersey paid fringe benefits	40,018		40,018
Pell grants	37,257		37,257
State paid other postemployment health benefits	16,782		16,782
Gifts and non-exchange grants	1,837		1,837
Unrealized and realized gains on investment securities	1,853		1,853
Investment income, net of investment expenses of $257	3,107	4,874	7,981
Interest on indebtedness	(14,928)		(14,928)
Administrative costs	(196)		(196)
Other nonoperating revenues	589		589
Net Nonoperating Revenues	122,178	4,874	127,052
(Loss) Income Before Other Revenues	(16,208)	5,723	(10,485)
Capital gifts and grants	412	-	412
(Decrease) Increase in Net Position	(15,796)	5,723	(10,073)
NET POSITION			
Beginning of year	281,356	83,365	364,721
End of year	$ 265,560	$ 89,088	$ 354,648

See notes to financial statements

Montclair State University
(A Component Unit of the State of New Jersey)

Statements of Cash Flows
Business - Type Activities - University Only

	Year Ended June 30, (dollars in thousands)	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 181,623	$ 159,771
Grants and contracts	48,294	63,417
Payments for salaries	(219,069)	(211,734)
Payments for fringe benefits	(17,441)	(27,110)
Payments to suppliers	(80,808)	(77,974)
Payments for utilities	(16,704)	(21,081)
Payments for student aid	(23,569)	(17,994)
Loans issued to students	(11)	47
Collection of loans from students	784	677
Auxiliary enterprises charges		
Residence life	39,382	48,307
Other	19,406	31,620
Sales and services of educational departments	5,591	7,178
Other receipts	12,647	15,820
Net Cash from Operating Activities	(49,875)	(29,056)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State of New Jersey appropriations	46,049	48,567
Pell grants	37,456	37,257
Financial Assistance - Cares Act	15,652	
Gifts and non-exchange grants	2,654	1,837
Student organization agency transactions	(1,358)	975
Other receipts	446	588
Net Cash from Noncapital Financing Activities	100,899	89,224
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital gifts and grants	1,197	412
Proceeds from capital debt	1,423	1,027
Principal paid on capital debt	(13,776)	(13,600)
Interest paid on capital debt	(19,555)	(20,202)
Purchases of capital assets	(56,022)	(62,325)
Loss from discontinued operations	(1,260)	-
Administrative costs	121	111
Change in deposits held by bond trustees	6,627	19,979
Net Cash from Capital Financing Activities	(81,245)	(74,598)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,860,646	3,956,664
Purchases of investments	(1,826,187)	(3,938,269)
Interest on investments	371	1,242
Net Cash from Investing Activities	34,830	19,637
Net Increase in Cash and Cash Equivalents	4,609	5,207
CASH AND CASH EQUIVALENTS		
Beginning of year	28,975	23,768
End of year	$ 33,584	$ 28,975

See notes to financial statements

MONTCLAIR STATE UNIVERSITY
(A Component Unit of the State of New Jersey)

Statements of Cash Flows
Business - Type Activities - University Only

	Year Ended June 30, (dollars in thousands)	
	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	$ (130,785)	$ (138,386)
Adjustments to reconcile operating loss to net cash used by operating activities		
State of New Jersey paid fringe benefits	29,573	29,984
State paid other postemployment health benefits	1,665	16,782
Depreciation expense	48,878	52,151
Provision for bad debts	142	(33)
Changes in assets and liabilities :		
Student receivables	(760)	(2,555)
Loans receivables	772	724
Grants receivables	(5,766)	3,977
Other receivables	82	694
Other current assets	(688)	328
Accounts payable and accrued expenses	1,020	1,455
Unearned tuition, fees and deposits	5,162	768
Unearned revenue from granters	(2,247)	270
Compensated absences - noncurrent portion	107	345
Assets held on behalf of Federal government for loan programs	(2)	(444)
Net pension liability	2,972	4,884
Net Cash from Operating Activities	$ (49,875)	$ (29,056)

See notes to financial statements

1. Organization

Montclair State University is a leading institution of higher education in New Jersey dating back to 1908. Designated a Research Doctoral University by the Carnegie Classification of Institutions of Higher Education, and classified by the New Jersey Secretary of Higher Education as a doctoral degree-granting institution, the University's eleven colleges and schools serve more than 21,000 undergraduate and graduate students with more than 300 doctoral, master's and baccalaureate level programs. Situated on a 252-acre suburban campus just 12 miles from New York City, Montclair State delivers the instructional and research resources of a large public university in a supportive, sophisticated and diverse academic environment.

Montclair State University Foundation, Inc. (the Foundation) is a nonstock corporation organized as a not-for-profit entity under the provisions of Title 15 of the New Jersey statutes. The Foundation was established for the benefit of the University to aid in obtaining additional resources to meet the needs of the University. The Foundation strives to raise funds from subscriptions, gifts, bequests and other devices and uses such funds as appropriately determined by its board of trustees. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation operates under an independent board of trustees. As the Foundation's resources can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University. Accordingly, the Foundation's statement of position and statement of revenues, expenses and changes in net position are included in the University's financial statements. Complete financial statements for the Foundation can be obtained from the Foundation's office at 1 Normal Avenue, Montclair, New Jersey 07043.

The University is an instrumentality of the State with a high degree of autonomy. However, under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the University, which is financially dependent on the State, is considered to be a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the University are included in the State's Comprehensive Annual Financial Report.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the University conform to U.S. generally accepted accounting principles as applicable to public colleges and universities. The University's reports are based on all applicable GASB authoritative literature in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

2. Summary of Significant Accounting Policies (continued)

GASB Statement No. 35 *Basic Financial Statements – and Management's Discussion and Analysis – Public Colleges and Universities* and GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establish standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into the following net position categories:

- *Net investment in capital assets*: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- *Restricted*:

  Nonexpendable – Net position subject to externally-imposed stipulations that must be maintained permanently by the University.

  Expendable – Net position whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.

- *Unrestricted:* Net position not subject to externally-imposed stipulations that may be designated for specific purposes by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position are designated for academic programs and initiatives and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University reports as a business type activity, as defined by GASB Statement No. 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Use of Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets

2. Summary of Significant Accounting Policies (continued)

and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banking institutions and highly liquid short-term investment securities held in the State of New Jersey Cash Management Fund (CMF) and other investment accounts, with an original maturity of three months or less.

Investments

Investments are recorded in the financial statements at fair value, which is based on quoted market prices. Purchase and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis.

Assets Held Under Bond Indenture Agreements

Assets held under bond indenture agreements are recorded in the financial statements at fair value, which is based on quoted market price and consist of money market accounts, and U.S. treasury obligations.

Receivables

Student receivables consist of tuition and fees charged to current and former students. State of New Jersey receivables, grants and contracts receivables are amounts due from federal and state governments in connection with reimbursement of allowable expenditures made pursuant to grants and contracts and other miscellaneous sources. Loans receivable consist of funds loaned to students under federal loan programs.

Receivables are reported at net realizable value. Student Receivables which are past due twelve months are reserved for at 50% and those past due twenty-four months are reserved at 100%. Grants and Contract Receivables are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful grants and contracts is estimated based upon management's evaluation and periodic review of individual accounts.

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets with acquisition costs of at least $5,000 and useful lives of at least three years are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets acquired under lease agreements are classified as capital leases and are recorded as capital assets.

Capital assets of the University are depreciated using the straight-line method over the following useful lives:

	Useful lives
Buildings	50 years
Building improvements	20 years
Infrastructure	25 years
Land improvements	10 - 25 years
Equipment and Vehicles	3 - 10 years
Furniture and Fixtures	10 years
Leasehold improvements	5 years
Software and Licenses	3 years

The University owns works of art and other collectibles valued at approximately $3.9 and $3.8 million as of June 30, 2020 and June 30, 2019, respectively. Management has elected not to capitalize these items in accordance with GASB Statement No. 34.

Prepaid Financing Costs

The University capitalizes prepaid insurance costs incurred in connection with its bond issues and amortizes these costs over the life of the respective obligations. These prepaid costs are included in other noncurrent assets in the accompanying statements of net position. Prepaid financing costs, net of accumulated amortization, amounted to $51 and $102 thousand in 2020 and 2019, respectively.

Assets Held on Behalf of Others

The University holds cash and cash equivalents as custodian for the benefit of students or student organizations. A majority of the assets held on behalf of others relate to Red Hawk dollars. The Red Hawk dollars program is a prepaid debit account allowing the University community to purchase goods or services on campus or off campus where red hawk dollars are accepted. Funds carry over semester to semester, year to year, up until withdrawal or graduation. Amounts related to the Red Hawk dollars program amounted to approximately $1 million as of June 30, 2020 and 2019.

2. Summary of Significant Accounting Policies (continued)

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net position that is applicable to a future reporting period.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. The changes in assumptions, net differences between projected and actual earnings on pension plan investments and changes in proportionate share may be either deferred outflows of resources or deferred inflows of resources. See note 8 for the University's breakdown of these items.

Deferred outflows and inflows of resources include gains and losses resulting from the refinancing of debt, which represents the difference between the reacquisition price and the net carrying amount of the old debt and is amortized over the life of the related debt.

Deferred outflows also include commitments for capital purchases.

Deferred inflows account for service concession agreements, and the deferred portion of certain grant funds as disclosed in Note 20.

Revenue Recognition

Student tuition and fees are presented net of scholarships applied to student accounts, and bad debt expense of $2.4 million and $1.5 million in for the year ended June 30, 2020 and 2019, respectively. Other payments made directly to students are presented as student aid, and are recognized in the period earned. Student tuition and fees collected in advance of the academic year are recorded as unearned tuition and fees in the accompanying financial statements, and totaled $3.2 million as of June 30, 2020 and $3.8 million as of June 30, 2019. Unearned revenue includes summer session activity for July and August which will be recognized as revenue in the following fiscal year.

Grants and contracts revenue consists mainly of funding received from Federal and State governments, and other nongovernmental sources and are recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreement are recorded as unearned revenue from grantors in the accompanying financial statements and totaled $3.9 million as of June 30, 2020 and $6.1 million as of June 30, 2019.

2. Summary of Significant Accounting Policies (continued)

The University recognizes a deferred inflow of resources related to the acquisition of the Heights residence hall as part of its service concession agreement. The deferred inflow is amortized into income over the term of the agreement and is included in other operating income in the statement of revenues, expenses and changes in net position. See *Note 13 - Service Concession Arrangement for Student Residence Hall Facility* for more details.

Revenue from State appropriations is recognized in the fiscal year during which the State appropriates the funds to the University. The University is fiscally dependent upon these appropriations.

Scholarship Allowance

Scholarship allowances are the difference between the stated charge for tuition and services provided by the University and the amount that is paid by students and/or third parties making payments on students' behalf. To the extent that revenues from such programs are used to satisfy tuition and fees and other student services, the University has recorded a scholarship allowance.

Classification of Revenue and Expense

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions, such as the payment received for services and payment made for the purchase of goods and services. Examples include: student tuition and fees, and residence life, net of scholarship allowances; sales and services of auxiliary enterprises; and most Federal, State, local and other grants and contracts. Non-operating revenues include activities that have the characteristics of non-exchange transactions and financial assistance, such as operating and capital appropriations from the State, Pell grants, and net investment income and gifts and non-exchange grants.

Interest expense is reported as a non-operating activity.

Tax Status

The University is exempt from Federal income taxes under Section 115 of the Internal Revenue Code. Its unrelated activities are subject to taxation under Section 512. Any required provision for UBIT is recorded in the financial statements and reported on the University's Federal Form 990-T. The Foundation is exempt from Federal income taxes under the Internal Revenue Code Section 501c (3) and, therefore, has made no provision

2. Summary of Significant Accounting Policies (continued)

for Federal income taxes. The Foundation is subject to the accounting standard for uncertain tax positions and has determined that no liabilities are required to be recorded for uncertain tax positions. The Foundation is no longer subject to Federal tax examinations for its Federal Form 990 and for the State of New Jersey Form CRI-300R for years prior to June 30, 2017.

Reclassification

Certain prior year amounts related to accounts payable and accrued expenses and unearned tuition, fees, and deposits, and various revenues and expenses have been reclassified to conform with current year presentation.

Subsequent Events

Except as disclosed in Note 20, management has reviewed and evaluated all events and transactions from June 30, 2020 through February 22, 2021, the date that the financial statements are available to be issued. The effects of those events and transactions that provide information about conditions that existed at the statements of net position dates, have been recognized and disclosed in the accompanying financial statements.

3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has assessed the custodial credit risk, interest rate risk, credit risk, and concentration of credit risk of its cash and cash equivalents, assets held under bond indenture agreements and investments.

Statutes of the State and regulations of the State Investment Council authorize the University to invest in obligations of the U.S. Treasury; agencies, and other municipal or political subdivisions of the State; commercial paper; bankers acceptances; revenue obligations of public authorities; debt instruments of banks; collateralized notes and mortgages; certificates of deposit; repurchase agreement; equity and convertible equity securities; and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such things as minimum capital, dividend paying history, credit history, and other evaluation factors.

3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)

Cash, investments and assets held under bond indenture agreements as of June 30, 2020 and 2019 are classified in the statements of net position as follows (dollars in thousands):

	2020	2019
Cash and cash equivalents	$ 33,584	$ 28,975
Assets held under bond indenture agreements	24,477	31,104
Investments	84,095	113,892
	$ 142,156	$ 173,971

Custodial Credit Risk

The University is exposed to custodial credit risk, which is the risk that in the event of a bank or counterparty failure, the University may not be able to recover deposits or the value of its investments held by such parties. To protect bank deposits that are in excess of Federal Deposit Insurance Corporation coverage limits, the University entered into a tri-party collateral management agreement with Bank of America and Bank of New York Mellon acting as the custodian. This agreement secures the uninsured portion of deposits held at Bank of America. As of June 30, 2020 and 2019, cash and cash equivalents were held by depositories and amounted to $35.3 and $24.1 million, respectively.

As of June 30, 2020 and 2019, $250,000 was FDIC insured and $35.1 and $23.9 million was collateralized with securities according to the tri-party agreement.

The University participates in the CMF wherein amounts contributed by the University are combined with funds from other state institutions into a large scale investment program. The carrying amount and fair value of cash and cash equivalents at June 30, 2020 and 2019 was $454 thousand and $7.7 million, respectively. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey statutes. The Fund is unrated.

For funds held in the University's investment account, the investment policy requires that any repurchase agreements held in the portfolio be collateralized at least 102% with U.S. Government securities or mortgage-backed securities. The maximum term of these agreements will be 90 days, and the collateral must be marked-to-market daily.

3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's investment policy stipulates that the portfolio shall be managed to have a targeted duration within a band +/- 20% of the Bank of America Merrill Lynch AAA rated U.S. Treasuries/Agencies 1-3 Year Index. The final maturity of each security within the portfolio shall not exceed seven years, with the exception that for U.S. Treasury securities where the final maturity shall not exceed 7.1 years. As of June 30, 2020, the University had the following investments and maturities (dollars in thousands):

		2020		
	Fair	Maturities (in years)		
Investment Type	Value	less than 1	1 - 5	greater than 5
U.S. treasuries	$ 10,999	$ -	$ 10,999	$ -
U.S. agencies	14,707		14,707	
Municipal bonds	1,018		516	502
Corporate bonds	44,270	13,258	31,012	
Mortgage securities	235		235	
Asset based securities	8,213	749	7,464	
Other fixed income securities	4,653	3,104	1,549	
Total	$ 84,095	$ 17,111	$ 66,482	$ 502

As of June 30, 2019, the University had the following investments and maturities (dollars in thousands):

		2019		
	Fair	Maturities (in years)		
Investment Type	Value	less than 1	1 - 5	greater than 5
U.S. treasuries	$ 65,502	$ -	$ 65,502	$ -
U.S. agencies	15,921	2,696	13,225	
Municipal bonds	850			850
Corporate bonds	26,429	4,130	22,299	
Mortgage securities	386		386	
Asset based securities	1,375		1,375	
Other fixed income securities	3,428		3,428	
Total	$ 113,892	$ 6,826	$ 106,215	$ 850

3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)

Interest Rate Risk

Assets held under bond indenture agreements are not governed by the University's investment policies, but rather by the investment policies of New Jersey Educational Facilities Authority (NJEFA or the Authority). As of June 30, 2020, investments were in money market funds of $24.4 million. As of June 30, 2019, investments were in U.S. treasuries of $6.0 million, and money market funds of $25.1 million, all maturing within one year.

Credit Risk

Securities must be rated investment grade or better by a nationally recognized credit rating agency at the time of purchase. Split rated credits will be considered to have the lower credit rating. Money market instruments must be rated A-1 or P-1 or better at the time of purchase.

In the event that a security is downgraded below these credit quality guidelines, the investment manager(s) shall notify the University and provide an evaluation and plan of action. If bonds in the portfolio are downgraded below investment grade, the investment manager(s) may continue to hold up to 2% in aggregate market value of these securities.

Temporary cash balances may be invested in a money market instrument (A-1/P-1 or better, less than 390 days).

3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)

The following table summarizes Moody's agency ratings of the University's investments at fair value as of June 30, 2020 and 2019 (in thousands):

Investment Type	Quality Rating	2020	2019
U.S. treasuries	AAA	$ 10,999	$ 65,502
U.S. agencies	AAA	14,707	15,921
Municipal bonds	AAA		
Municipal bonds	AA	516	
Municipal bonds	A	502	850
Corporate bonds	AAA	4,410	
Corporate bonds	AA	9,936	9,055
Corporate bonds	A	29,924	17,374
Corporate bonds	Baa		
Mortgage securities	AAA	235	386
Mortgage securities	A		
Asset backed securities	AAA	5,008	434
Asset backed securities	A	750	941
Other fixed income securities	AAA	2,457	2,430
Other fixed income securities	AA	3,104	998
Other fixed income securities	A	1,547	
		$ 84,095	$ 113,892

Concentration of Credit Risk

This is the risk associated with the amount of investments the University has with any one issuer. Except for treasuries, agency debentures, agency pass-throughs, agency real estate mortgage investment conduits, and asset-backed securities, no more than 2% of the portfolio shall be invested in securities of a single issuer. Asset-backed securities are limited to 5% per issuer.

Assets held under bond indenture agreements represent assets held by bond trustees under the terms of various bond and other long-term debt agreements. Assets held under bond indenture agreements are carried in the financial statements at fair value, and consist of cash and cash equivalents and U.S. government obligations. Assets held under bond indenture agreements are maintained for the following (dollars in thousands):

3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)

	2020	2019
Project and construction fund	$ 1,861	$ 9,804
Debt service fund for principal and interest	22,527	21,300
Rental Pledge	89	-
Assets Held Under Bond Indenture Agreements	$ 24,477	$ 31,104

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date

Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly

Level 3 – unobservable inputs for an asset or liability

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following is a description of the valuation methodologies used for instruments measured at fair value:

- U.S. treasuries and agencies are valued at quoted price reported on the active market

3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)

- Municipal bonds, corporate bonds, mortgage securities, asset backed securities and other fixed income securities are valued using prices based on bid evaluations or quoted prices in an inactive market.

- Money market accounts are recorded at the quoted price which approximates fair value.

As of June 30, 2020 and 2019, the University's investments and assets held under bond indenture are summarized in the following table by their fair value hierarchy (dollars in thousands):

		2020		
Type	Total	Level 1	Level 2	Level 3
Investments:				
U.S. treasuries	$ 10,999	$ 10,999	$ -	$ -
U.S. agencies	14,707	14,707		-
Municipal bonds	1,018		1,018	-
Corporate bonds	44,270		44,270	-
Mortgage securities	235		235	-
Asset backed securities	8,213		8,213	-
Other fixed income securities	4,653		4,653	-
Total investments	$ 84,095	$ 25,706	$ 58,389	$ -
Assets Held Under Bond Indenture:				
Money market funds	$ 24,477	$ 24,477	$ -	$ -
Total assets held under bond indenture	$ 24,477	$ 24,477	$ -	$ -

3. Cash and Cash Equivalents, Investments, and Assets Held Under Bond Indenture Agreement (continued)

		2019		
Type	Total	Level 1	Level 2	Level 3
Investments:				
U.S. treasuries	$ 65,502	$ 65,502	$ -	$ -
U.S. agencies	15,921	15,921		-
Municipal bonds	850		850	-
Corporate bonds	26,429		26,429	-
Mortgage securities	386		386	-
Asset backed securities	1,375		1,375	-
Other fixed income securities	3,428		3,428	-
Total investments	$ 113,892	$ 81,423	$ 32,468	$ -
Assets Held Under Bond Indenture:				
U.S. treasuries	6,036	$ 6,036	$ -	$ -
Money market funds	25,068	25,068	-	-
Total assets held under bond indenture	$ 31,104	$ 31,104	$ -	$ -

4. Capital Assets

Capital asset activity for the year ended June 30, 2020 is comprised of the following (dollars in thousands):

	Beginning Balance	Acquisitions and Other Increases	Dispositions and Other Decreases	Ending Balance
Depreciable assets:				
Infrastructure	$ 46,410	$ 557	$ 680	$ 46,287
Buildings and improvements	1,014,089	20,744	333	1,034,500
Equipment	242,940	21,902	2,446	262,396
Other	34,543	664	-	35,207
Total Depreciable Assets	1,337,982	43,867	3,459	1,378,390
Less accumulated depreciation on:				
Infrastructure	24,016	1,713	85	25,644
Buildings and improvements	303,698	26,235	198	329,735
Equipment	179,455	18,983	2,212	196,226
Other	20,711	1,948	-	22,659
Total Accumulated Depreciation	527,880	48,879	2,495	574,264
Depreciable Assets, Net	810,102	(5,012)	964	804,126
Nondepreciable assets:				
Land	37,821	-	-	37,821
Construction in progress	66,280	45,743	33,738	78,285
Total Nondepreciable Assets	104,101	45,743	33,738	116,106
Total Capital Assets, Net	$ 914,203	$ 40,731	$ 34,702	$ 920,232

4. Capital Assets (continued)

Capital asset activity for the year ended June 30, 2019 is comprised of the following (dollars in thousands):

	Beginning Balance	Acquisitions and Other Increases	Dispositions and Other Decreases	Ending Balance
Depreciable assets:				
Infrastructure	$ 45,956	$ 475	$ 21	$ 46,410
Buildings and improvements	984,453	29,638	2	1,014,089
Equipment	251,646	11,749	20,455	242,940
Other	32,378	2,170	5	34,543
Total Depreciable Assets	1,314,433	44,032	20,483	1,337,982
Less accumulated depreciation on:				
Infrastructure	22,346	1,691	21	24,016
Buildings and improvements	278,436	25,264	2	303,698
Equipment	176,697	23,213	20,455	179,455
Other	18,734	1,982	5	20,711
Total Accumulated Depreciation	496,213	52,150	20,483	527,880
Depreciable Assets, Net	818,220	(8,118)	-	810,102
Nondepreciable assets:				
Land	37,821	-	-	37,821
Construction in progress	57,528	53,210	44,458	66,280
Total Nondepreciable Assets	95,349	53,210	44,458	104,101
Total Capital Assets, Net	$ 913,569	$ 45,092	$ 44,458	$ 914,203

Estimated costs to complete the projects classified as construction in progress as of June 30, 2020 and 2019 approximated $36 and $84 million and are expected to be funded from unrestricted resources, State grants and contracts and NJEFA bonds.

5. Accounts Payable and Accrued Expenses

As of June 30, 2020 and 2019, accounts payable and accrued expenses consist of the following (dollars in thousands):

	2020	2019
Vendors	$ 7,197	$ 8,952
Capital projects	4,672	5,967
Employees	11,173	10,873
Interest payable	9,362	9,634
Compensated absences	7,425	6,110
	$ 39,829	$ 41,536

6. Bonds Payable and Other Long-Term Debt

Bonds Payable

The Board of Trustees of the University, the New Jersey Board of Higher Education and the Authority have entered into various agreements whereby, although legal title remains with the State, the University is given use of buildings, improvements and equipment through enabling legislation and the University agrees to make lease payments equal to the related debt and interest payments of the underlying revenue bonds issued by the Authority. These bonds are general obligations of the University. The following bonds payable of the Authority related to the University were outstanding as of June 30, 2020 and 2019 (dollars in thousands):

	Interest rates	2020	2019
New Jersey Educational Facilities Authority Revenue Bonds:			
Series 2006 J Revenue Bonds, due serially to 2021	3.75 - 4.25%	$ 11,460	$ 17,695
Series 2007 A Revenue Bonds, due serially to 2021	5.25	1,335	1,955
Series 2014 A Revenue Bonds, due serially to 2044	3.00 - 5.00	177,940	182,045
Series 2015 D Revenue Bonds, due serially to 2036	3.75 - 5.00	69,520	69,520
Series 2016 B Revenue Bonds, due serially to 2038	3.00 - 5.00	117,490	118,190
Bonds payable		377,745	389,405
Plus: Bond premium		15,288	16,047
Total bonds payable		$ 393,033	$ 405,452

6. Bonds Payable and Other Long-Term Debt (continued)

Other Long-Term Debt

The following other long-term debt was outstanding as of June 30, 2020 and 2019 (dollars in thousands):

	Interest rates	2020	2019
Series 2002 A Higher Education Capital Improvement Fund, due serially to 2022	3.00 - 5.25%	$ 45	$ 45
Series 2016 A Higher Education Capital Improvement Fund, due serially to 2022	2.25 - 2.51	2,621	3,276
Series 2016 B Higher Education Capital Improvement Fund, due serially to 2022	3.00 - 5.50	2,083	2,160
New Jersey Environmental Infrastructure Trust, due serially to 2022	3.00 - 5.25	305	400
New Jersey Environmental Infrastructure due serially to 2022	3.00 - 5.25	217	292
2014 Higher Education Equipment Leasing Fund Program 032-10 due 2023	5.00	59	77
2014 Higher Education Equipment Leasing Fund Program 032-11 due 2023	5.00	59	77
Obligations under capital leases, due in equal monthly installments through 2024	1.14 - 4.53	2,087	1,843
Total other long-term debt		$ 7,476	$ 8,170

6. Bonds Payable and Other Long-Term Debt (continued)

Future Principal and Interest Payments

The following is a schedule of future minimum principal and interest and fee payments on the University's bonds payable and other long-term debt as of June 30, 2020 (dollars in thousands):

2020	Principal	Interest and fees
Year ending June 30:		
2021	$ 15,752	$ 18,480
2022	16,490	17,708
2023	15,190	17,004
2024	13,879	16,324
2025	15,135	15,608
2021 - 2025 Subtotal	76,446	85,124
2026 - 2030	89,137	65,660
2031 - 2035	97,080	41,510
2036 - 2040	70,996	22,224
2041 - 2045	66,851	6,883
2046		
	$ 400,510	$ 221,401

7. Summary of Changes in Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the year ended June 30, 2020 and 2019 (dollars in thousands):

	2020				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable and other long-term debt	$ 413,622	$ 1,424	$ (14,536)	$ 400,510	$ 14,952
Compensated absences (see note 12)	8,534	2,749	(1,328)	9,955	7,425
Assets held on behalf of Federal government for loan programs	3,812		(814)	2,998	19
Net pension liability	195,357		(2,409)	192,948	
Other long term liability	3,220	-	(769)	2,451	770
Total Noncurrent Liabilities	$ 624,545	$ 4,173	$ (19,856)	$ 608,862	$ 23,166

	2019				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable and other long-term debt	$ 426,953	$ 1,029	$ (14,360)	$ 413,622	$ 13,555
Compensated absences (see note 12)	8,361	859	(686)	8,534	6,111
Assets held on behalf of Federal government for loan programs	3,815		(3)	3,812	831
Net pension liability	207,673		(12,316)	195,357	
Other long term liability	5,909	69	(2,758)	3,220	769
Total Noncurrent Liabilities	$ 652,711	$ 1,957	$ (30,123)	$ 624,545	$ 21,266

8. Retirement Plans

University employees participate in three major retirement plans: Public Employees' Retirement System (PERS), Police and Firemen's Retirement System (PFRS), and the Alternate Benefit Program (ABP). PERS and PFRS are cost-sharing, multiple-employer plans administered by the State, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml. The ABP is administered by separate boards of trustees. Generally all employees, except certain part-time employees, participate in one of these plans.

PERS was established under the provisions of N.J.S.A 43:15A to provide coverage, including postretirement healthcare, to substantially all full-time employees of the State of New Jersey public agencies, provided the employee is not a member of another State-administered retirement system.

PFRS was established under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county and municipal police or firemen and state firemen appointed after June 30, 1994.

In addition to the three plans referred to above, certain faculty members of the University participate in Teachers' Pension and Annuity Fund (TPAF), which is a State cost-sharing, multiple employer defined benefit plan with a special-funding situation by which the State is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State Division. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage, including postretirement healthcare, to substantially all full-time public school employees in the State. The plan's eligibility requirements are similar to PERS' requirement. PERS replaced this plan for all new employees and members of TPAF were able to transfer to PERS. For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

8. Retirement Plans (continued)

Public Employees' Retirement System and Police and Firemen's Retirement System

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS and PFRS provide retirement, death and disability benefits. With PERS, all benefits vest after ten years of service except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. With PFRS, all benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement

8. Retirement Plans (continued)

after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions

The contribution policy for PERS and PFRS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution for PERS is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. The State's contribution for PFRS is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. For fiscal year 2019 and 2018, the State's pension contribution for PERS and PFRS was less than the actuarial determined amount.

During the years ended June 30, 2020 and 2019, PERS members were required to contribute 7.50% and 7.34%, respectively, and PFRS members are required to contribute 10% of their annual covered salary and the University is required to contribute at an actuarially determined rate. The State contributes to PERS and PFRS on behalf of the University. Employers were not required to contribute in 2020 or 2019 due to legislation enacted in 1997 by the State of New Jersey, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the University are established and may be amended by the State.

Allocated employer contributions provided by the State and recognized by the PERS and PFRS plans from the University for the year ending June 30, 2020 totaled $6.6 million and $984 thousand, respectively and for the year ending June 30, 2019 totaled $5.0 million and $788 thousand, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of resources related to pensions.

Net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded to reflect the provisions of GASB 68 are reflective of the respective plan's published financial statements and actuarial valuations as of June 30, 2018 ("Measurement Date").

8. Retirement Plans (continued)

The University's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and net pension expense related to PERS and PFRS, at and for the fiscal year ended June 30, 2019 and 2018, are as follows:

	2020		
	PERS	**PFRS**	**Total**
Proportionate share of the net pension liability ($)			
2019	$ 171,899	$ 21,048	$ 192,947
2018	172,619	22,738	195,357
Proportionate share of the net pension liability (%)			
2019	0.747%	0.501%	
2018	0.728%	0.525%	
Deferred outflows of resources	23,335	4,711	28,046
Deferred inflows of resources	37,382	4,445	41,827
Pension expense	9,589	2,182	11,771

	2019		
	PERS	**PFRS**	**Total**
Proportionate share of the net pension liability ($)			
2018	$ 172,619	$ 22,738	$ 195,357
2017	185,255	22,418	207,673
Proportionate share of the net pension liability (%)			
2018	0.728%	0.525%	
2017	0.722%	0.510%	
Deferred outflows of resources	28,142	5,961	34,103
Deferred inflows of resources	39,333	3,170	42,503
Pension expense	9,319	2,686	12,005

The University's proportionate share of each respective plan's net pension liability was based on the State contribution to the respective plans from July 1, 2018 to June 30, 2019 relative to the total contributions from all participating employers.

8. Retirement Plans (continued)

The components of pension related deferred outflows of resources and deferred inflows of resources as of the Measurement Date for the fiscal year ended June 30, 2019 and 2018, are as follows:

	2020		
	PERS	PFRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 1,775	$ -	$ 1,775
Changes of assumptions	9,545	279	9,824
Net differences between projected and actual earnings on pension plan investments	166	267	433
Changes in proportionate share	5,331	2,188	7,519
Contributions subsequent to the measurement date	6,518	1,977	8,495
	$ 23,335	$ 4,711	$ 28,046

The contributions paid to the plan subsequent to the measurement date will be recognized of the net pension liability in fiscal year 2020.

	PERS	PFRS	Total
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 1,231	$ 495	$ 1,726
Changes of assumptions	34,474	2,947	37,421
Changes in proportionate share	1,677	1,003	2,680
	$ 37,382	$ 4,445	$ 41,827

8. Retirement Plans (continued)

	2019		
	PERS	**PFRS**	**Total**
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 3,005	$ -	$ 3,005
Changes of assumptions	16,867	837	17,704
Net differences between projected and actual earnings on pension plan investments	488	333	821
Changes in proportionate share	2,061	3,177	5,238
Contributions subsequent to the measurement date	5,721	1,614	7,335
	$ 28,142	$ 5,961	$ 34,103

	PERS	**PFRS**	**Total**
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 1,440	$ 318	$ 1,758
Changes of assumptions	34,742	2,681	37,423
Changes in proportionate share	3,150	172	3,322
	$ 39,332	$ 3,171	$ 42,503

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $6.5 million for PERS and $1.9 million for PFRS are recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense in the statement of revenues, expenses and changes in net position as follows:

	2020		
	PERS	**PFRS**	**Total**
Years ending:			
2020	$ (2,550)	$ (331)	$ (2,882)
2021	(7,338)	(560)	(7,898)
2022	(6,981)	(431)	(7,412)
2023	(3,352)	(242)	(3,594)
2024	(344)	(146)	(490)
	(20,565)	(1,711)	(22,276)
Contributions paid subsequent to Measurement Date	6,518	1,977	8,495
	$ (14,047)	$ 266	$ (13,781)

8. Retirement Plans (continued)

Actuarial Assumptions

The University's net pension liability as of June 30, 2019 (based on July 1, 2018 actuarial valuation) and June 30, 2018 (based on July 1, 2017 actuarial valuation) were determined using the following assumptions:

	June 30, 2019	
	PERS	**PFRS**
Inflation Rate	2.75%	2.75%
Salary increases:		
Through 2026	2.00 - 6.00% based on age	
Thereafter	3.00 - 7.00% based on age	
Through all future years		3.25 - 15.25% based on years of service
Investment rate of return	7.00%	7.00%

	June 30, 2018	
	PERS	**PFRS**
Inflation Rate	2.25%	2.25%
Salary increases:		
2012-2021	1.65 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.65 - 5.15% based on age	3.10 - 9.98% based on age
Investment rate of return	7.00%	7.00%

PERS

For the June 30, 2019 measurement date, pre-retirement mortality rates were based on Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Postretirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

8. Retirement Plans (continued)

For the June 30, 2018 measurement date, pre-retirement mortality rates were based on RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 Projection Scale BB and plan actuary's modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no morality improvement assumed. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA from the base year of 2012 to 2013 and the actuary's modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the plan actuary's modified 2014 projection scales thereafter. Disability mortality tables were based on a custom table with representative rates and no mortality improvement assumed.

PFRS

For the June 30, 2019 measurement date, pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Mean Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used unadjusted with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 for PERS and July 1, 2013 to June 30, 2018 for PFRS.

For the June 30, 2018 measurement date, pre-retirement mortality rates were based on RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 Projection Scale BB and plan actuary's modified 2014 projection

8. Retirement Plans (continued)

scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no morality improvement assumed. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA from the base year of 2012 to 2013 and the actuary's modified 2014 projection scale thereafter.

Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the plan actuary's modified 2014 projection scales thereafter. Disability mortality tables were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 and July 1, 2016 actuarial valuations were based on the results of actuarial experience studies for the periods July 1, 2011 to June 30, 2014 for PERS and July 1, 2010 to June 30, 2013 for PFRS.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019 and June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and New Jersey Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the PERS and PFRS target asset allocations as of June 30, 2019 and 2018 are summarized in the following table:

8. Retirement Plans (continued)

	PERS and PFRS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non US developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount Rates

The discount rates used to measure the total pension liabilities were 6.28% and 6.85% for PERS and PFRS as of the June 30, 2019 measurement date and 5.66% and 6.51% as of June 30, 2018, respectively. These single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of the Measurement Date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher for PERS and PFRS. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plans' fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2057 for PERS and June 30, 2076 for PFRS, and the municipal bond rate was applied to projected benefit payments after those dates in determining the total pension liabilities.

8. Retirement Plans (continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the collective net pension liability of the plans as of June 30, 2019 and 2018 calculated using the discount rate as disclosed above, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

	2020			
	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	5.28%	197,769	5.85%	24,618
Current discount rate	6.28%	171,899	6.85%	21,048
1% increase	7.28%	150,160	7.85%	18,095

	2019			
	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	4.66%	199,627	5.51%	26,735
Current discount rate	5.66%	172,619	6.51%	22,738
1% increase	6.66%	149,993	7.51%	19,447

8. Retirement Plans (continued)

Teachers' Pension and Annuity Fund

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of $1/55^{th}$ of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{th}$ of final average salary for each year of service credit is available to tier 4 member upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization on the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

8. Retirement Plans (continued)

Allocated employer contributions provided by the State and recognized by the plan from the University totaled $96,378 and $75,954 for the year ending June 30, 2020 and 2019, respectively.

Net Pension Liability

As of June 30, 2020 and 2019, the State's proportionate share of the TPAF net present liability associated with the University was $3.0 and $3.2 million, respectively. The University's proportionate share was $0.

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The June 30, 2019 and 2018 actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

June 30, 2019		June 30, 2018	
Inflation Rate	2.75%	Inflation Rate	2.25%
Salary increases:		Salary increases:	
Through 2026	1.55 - 4.45%	2011-2026	1.55 - 4.55%
Thereafter	2.75 - 5.65%	Thereafter	2.00 - 5.45%
Investment rate of return	7.00%	Investment rate of return	7.00%

For the July 1, 2018 valuation, pre-retirement rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6%adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disabled mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

8. Retirement Plans (continued)

For the July 1, 2017 valuation, pre-retirement rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013.

Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 5.60% and 4.86% as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30, 2019 and 2018, respectively, and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

8. Retirement Plans (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the University as of June 30, 2019 and 2018 calculating using the discount rate as disclosed above as well as what the University's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate (dollars in thousands):

	2020		
	At 1% Decrease (4.60%)	At Current Discount Rate (5.60%)	At 1% Increase (6.60%)
Net Pension Liability	$ 72,544,650	$ 61,519,112	$ 52,371,398
Allocation Percentage	0.0047934158%	0.0047934158%	0.0047934158%
University's proportionate share of the net pension liability	$ 3,477	$ 2,942	$ 2,510

	2019		
	At 1% Decrease (3.86%)	At Current Discount Rate (4.86%)	At 1% Increase (5.86%)
Net Pension Liability	$ 75,417,895	$ 63,806,350	$ 54,180,663
Allocation Percentage	0.0050245750%	0.0050245750%	0.0050245750%
University's proportionate share of the net pension liability	$ 3,778	$ 31,097	$ 2,714

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019 and 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

8. Retirement Plans (continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 and 2018 are summarized in the following table:

	2019	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-US developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

	2018	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-US developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

8. Retirement Plans (continued)

Components of Net Pension Liability

The components of the net pension liability of the participating employers for TPAF as of June 30, 2019 and 2018 are as follows:

	2019 State	2018 State
Total pension liability	$ 84,215,847	$ 86,797,467
Plan fiduciary net position	22,696,734	22,991,116
Net Pension Liability	$ 61,519,113	$ 63,806,350
Plan fiduciary net position as a percentage of the total pension liability	26.95%	26.49%
	University	University
Net pension liability	$ 61,519,112	$ 63,806,350
Allocation percentage	0.0047934158%	.0050245750%
University's Proportionate Share of the Net Pension Liability	$ 2,949	$ 3,206

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the University. The University's portion of the nonemployer contributing entities' total proportionate share of the net pension liability was $2,941,764 as of June 30, 2020 and $3,196,527 as of June 30, 2019. The University records their proportionate share of the pension expense as a revenue and expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The amount was $173,513 in 2020 and $186,346 in 2019.

8. Retirement Plans (continued)

Alternate Benefit Program (ABP) Information

ABP provides the choice of seven investment carriers, which are privately operated, defined contribution retirement plans and is administered by the NJ Division of Pensions and Benefits. These seven investment carriers are VOYA, Metropolitan Life Insurance (MetLife), Teachers Insurance and Annuity Association (TIAA), AIG Valic, Mass Mutual, AXA Equitable, and Prudential. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this retirement program as an alternative to PERS. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. Employee contributions immediately vest and employer contributions vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees are required to contribute 5% of salary, up to the maximum Federal statutory limit, on a pretax basis.

The ABP permits additional tax-deferred contributions to be made to ABP investment carrier account(s) (except Prudential) at an amount over and above the 5% required employee contribution under the voluntary 403(b) component of the program and/or participation in the New Jersey State Employees Deferred Compensation Plan (NJSEDCP). The 403(b) and/or NJSEDCP plan accounts are available to employees in ABP, PERS, PFRS, and DCRP pension plans. Employer contributions in ABP are 8% of salary. The maximum compensation to be considered for employer contributions is $141,000 per New Jersey state law Chapter 31, P.L. 2010. This law was effective as of July 1, 2010. The University created the Supplemental Alternate Benefits Program to fund the 8% employer match above $141,000 compensation limit. These contributions are funded by the University. During the years ended June 30, 2020 and 2019, ABP received employee contributions of approximately $7.8 million and $7.2 million, respectively; and employer contributions of approximately $12.4 million and $11.5 million, respectively, which were based on participating employee salaries of $155.2 million and $143.9 million, respectively. Employer contributions to ABP are paid by the State and the University and are reflected within operating expenses by function and within non-operating revenues as State of New Jersey paid fringe benefits in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

8. Retirement Plans (continued)

Defined Contribution Retirement Program (DCRP)

The DCRP pension plan is a defined contribution program. Established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010, the DCRP allows enrollees to make contributions to Prudential Financial, which jointly administers the DCRP investments with the Division of Pensions and Benefits. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit along with life insurance and disability coverage.

DCRP enrollment eligibility criteria includes employees enrolled in PERS or PFRS who: (1) earn below a minimum base salary, or (2) do not work a minimum number of hours per week, or (3) are enrolled in PERS and make in excess of established "maximum compensation" limits. Participating eligibility, as well as contributory and noncontributory requirements is established by the State Retirement and Social Security Law.

The University assumes no liability for DCRP members other than payment of contributions. Benefits are determined by the amount of individual accumulations and the retirement option selected. All benefits vest immediately for employees who are enrolled in PERS or after one year for employees not in PERS. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees contribute 5.5% of their eligible wages and the employer match contributions are 3% of base salary.

During the years ended June 30, 2020 and 2019 Prudential received employer and employee contributions as follows:

	2020	2019
Employer contributions	$ 31,543	$ 30,797
Employee contributions	56,784	56,461
Basis for contributions:		
Participant employee salaries	$ 1,892,786	$ 1,026,567

Employer contributions to DCRP are paid by the University and are reflected as expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

8. Retirement Plans (continued)

Other Voluntary Retirement Plans

New Jersey State Employees Deferred Compensation Plan (NJSEDCP)

The NJSEDCP, governed by the guidelines of the IRC Section 457 and the laws of the State, is administered by Prudential Financial for the State. The Deferred Compensation Board is the final authority on all matters concerning the operation of the Plan; by law, the State Investment Council has the right to supervise certain aspects of the Plan including the investment assets. The NJSEDCP is a voluntary tax-deferred savings plan that provides for pre-tax and/or post-tax voluntary employee contributions. NJSEDCP is available to all employees whether they participate in PERS, PFRS, ABP or under the voluntary 403(b) component of the ABP. The plan does not include any matching employer contributions. Participation in the plan is limited and the associated amounts are not significant.

Supplemental Alternate Benefits Program

The Plan is administered by the University. TIAA is the privately operated investment carrier for this defined contribution plan. All contributions are made by the University with Non-State funds. The plan is intended to qualify as a governmental plan that is tax-sheltered annuity plan under section 403(b) of the IRC of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations section 2510.3-2(f). Each employee whose compensation exceeds the State limit of $141,000 on contributions for the ABP in a given year shall be eligible to participate in the plan and have employer contributions made on their behalf. The University will contribute 8% of the employee's compensation in excess of the State limit on compensation. Participation in the plan is limited and the associated amounts are not significant.

Additional Contributions Tax-Sheltered Programs (ACTS)

As a PERS and PFRS member, employees may also participate in the Additional Contributions Tax-Sheltered Programs (ACTS). Through salary reduction agreements, employees are able to obtain supplemental tax-deferred annuities (IRC Section 403[b]) with a variety of investment carriers. The ACTS Program is separate from, and in addition to, the employees' basic pension benefit. The authorized carriers and investment options are the same as currently available to members of the ABP. Participation in the plan is limited and the associated amounts are not significant.

8. Retirement Plans (continued)

Supplemental Annuity Collective Trust (SACT)

As a PERS, PFRS, or ABP member, employees may also participate in the Supplemental Annuity Collective Trust (SACT), which invests the entire voluntary contributions in common stocks. There are two separate plans, the SACT-Regular Plan and the SACT-Tax-Sheltered Plan (IRC Section 403[b]). Under the SACT-Regular Plan, contributions are made post-tax. Under the SACT-Tax-Sheltered Plan, a portion of salary is tax deferred. Participation in the plan is limited and the associated amounts are not significant.

9. Postemployment Benefits Other than Pensions

The University's retirees participate in the State Health Benefit State Retired Employees Plan (the "Plan"). Plan description, including benefits provided - The Plan is a single-employer defined benefit other postemployment benefit (OPEB) plan, which provides medical, prescription drug, and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan for standalone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State of New Jersey (the State) is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: the Public Employees' Retirement System (PERS), the Alternate Benefit Program (ABP) or the Police and Firemen's Retirement System (PFRS). In addition, Chapter 302, P.L. 1996 provides that for purposes of this Plan, the University's employees retain any and all rights to the health benefits in the Plan, even though the University is considered autonomous from the State, therefore, its employees are classified as State employees. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined in GASB Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions (GASB Statement No. 75).

Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Pursuant to Chapter 78, P.L, 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

9. Postemployment Benefits Other than Pensions (continued)

The Plan is administered on a pay-as-you-go-basis. Accordingly, no assets are accumulated in a qualifying trust that meets the definition of a trust as per GASB Statement No. 75.

Total OPEB Liability and OPEB Expense

As of June 30, 2020 and 2019, the State recorded a liability of $278.9 million and $366.0 million, respectively, which represent the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the University (the University's share). The University's share was based on the ratio of its members to the total members of the Plan. At June 30, 2020 and 2019, the University's share of the special funding situation was 5.079226% and 5.121253%, respectively. At June 30, 2020 and 2019, the University's share of the Plan was 1.532325% and 1.550809%, respectively. The State is legally required to pay for the OPEB benefit coverage for eligible retirees. Therefore, the University is considered to be in a special funding situation as defined by GASB Statement 75 and the State is treated as a nonemployer contributing entity. Since the University does not contribute directly to the plan there is no total OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements.

For the year ended June 30, 2020 and 2019, the University recognized OPEB expense of $1.7 million and $16.8 million, respectively. As the State is legally obligated for benefit payments on behalf of the University, the University recognized revenue related to the support provided by the State of $1.7 million and $16.8 million, respectively.

Actuarial assumptions and other inputs – The State's liability associated with (reporting entity) at June 30, 2020 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to the measurement date of June 30, 2019.

Inflation	2.50 %
Discount rate	3.50 %
Salary Increases	
Through 2025	2.95 - 15.25 %
Thereafter	2.75 - 7.00 %

The discount rate is based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Salary increases depend on the pension plan a member is enrolled in. In addition, they are based on age or years of service.

9. Postemployment Benefits Other than Pensions (continued)

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational improvement projections from the central year using the Scale MP-2019. Disability mortality was based on the Pub-2010 “Safety” (PFRS), “Teachers” (TPAF/ABP), and “General” (PERS) classification headcount-weighted disabled mortality table with fully generational improvement projections from the central year using Scale MP-2019.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies of the State of New Jersey’s defined benefit plans, including PERS (July 1, 2014 through June 30, 2018) ABP (using the experience of the Teacher’s Pension and Annuity Fund – July 1, 2015 through June 30, 2018), and PFRS (July 1, 2013 through June 30, 2018).

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

10. Contingent Liabilities

The University is party to various legal actions arising in the ordinary course of business. The University is in litigation with the Township of Little Falls regarding the tax exemption status of certain lots on University property. While it is not possible at this time to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial position.

11. State of New Jersey Paid Fringe Benefits

The State of New Jersey, through separate appropriations, pays certain fringe benefits (principally health insurance, retirement and FICA taxes) on behalf of University employees. For the years ended June 30, 2020 and June 30, 2019, such benefits amounted to approximately $40.8 million and $40.0 million, respectively, and are included in non-operating revenues as State of New Jersey paid fringe benefits and in operating expenses by function in the accompanying statements of revenues, expenses, and changes in net position.

12. Compensated Absences

The University recorded a liability for compensated absences (i.e. unused vacation, sick leave, and paid leave bank days attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee) in the amount of $10 million and $8.5 million as of June 30, 2020 and 2019, respectively. The liability is calculated based upon employees' accrued vacation and furlough leave as of June 30, 2020 and 2019, as well as an estimated vested amount for accrued sick leave.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of $15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. During the years ended June 30, 2020 and 2019, the University paid approximately $476 thousand and $214 thousand, respectively, in sick leave payments for employees who retired.

13. Service Concession Arrangement for Student Residence Hall Facility

During fiscal 2012, construction was completed on the Heights student residence hall facility pursuant to an agreement entered into with Provident Group-Montclair Properties, LLC (Provident) under which Provident agreed to design, finance, build and operate the residence hall facility for a term up to thirty-two years. Provident will be entitled to all housing revenues during the term of the agreement. At the end of the term, the residence hall facility and its operations will be transferred to the University. As of June 30, 2012, the University has reported the dormitory as a capital asset and related deferred inflow of resources with a carrying amount of $235.0 million.

The capital asset is being depreciated in accordance with the University's capitalization policies and accumulated depreciation as of June 30, 2020 and 2019 was $74.0 million and $65.3 million, respectively. As of June 30, 2020 and 2019, the deferred inflow of resources on the concession arrangement was $168.9 million and $176.2 million, respectively in the Statement of Net Position. The University has reported a deferred inflow of resources in the amount of $7.3 million in the Statement of Revenues, Expenses and Changes in Net Position.

14. Rental Revenue Under Operating Lease

The University as lessor, has non-cancelable operating leases on residential and commercial properties for use of University grounds which expire through 2041. The following is a schedule of minimum future lease amounts (dollars in thousands) to be received as of June 30:

2021	$ 1,461
2022	1,283
2023	1,290
2024	1,316
2025	1,288
Thereafter	23,786

15. Lease Commitments

The University entered into operating leases in 2012 to rent dining and office space which expire through May 2042.

Effective August 1, 2018, the University amended its office space lease agreement to lease additional space at the Overlook Corporate Center contingent upon the landlord securing roadway approvals. The expected commencement date was January 1, 2020.

15. Lease Commitments (continued)

The University has made the decision not to exercise its option to rent additional space. The University's office space lease for 855 Valley Road ended on August 31, 2020 with no renewal. The table below reflects the minimum lease payments beginning with fiscal year 2021.

Future minimum lease payments (dollars in thousands) required under these leases are as follows:

2021	$ 3,381
2022	3,344
2023	3,369
2024	3,402
2025	2,714
Thereafter	21,995

Total expense for the year ending June 30, 2020 and 2019 was $2.9 million and $3.6 million, respectively.

16. Commitments

The University entered into a thirty-year contract to permit third parties to install, operate and maintain a heating and cooling facility on certain University properties. In exchange, the University will purchase all electricity, chilled water and steam generated by the facility at a set price. Annual minimum lease payments on this lease are estimated to be $15.6 million through 2044.

The University has a guaranty agreement effective November 2017 and ending November 2037 whereas the University is the guarantor with respect to certain obligations of UMM Energy Partners LLC to Public Service Electric & Gas Company. UMM Energy Partners LLC operates as a Special Purpose Entity. The Company is responsible for the construction, design, development, and operations of the Montclair State University Energy Project. The University guarantees to Public Service Electric & Gas if UMM fails to pay any portion of the minimum annual distribution charge for any of 20 years per the agreement that the University shall provide payment within 30 days of demand. The potential liability is $95,013 per year and the total potential future liability or $1,615,221 representing the sum of the remaining payments. The University is securing the guaranty with a standby letter of credit in the amount of $2,309,718 that expires on September 2043. No amounts have been drawn under the standby letter of credit.

Union contracts are effective until June 30, 2023 with the exception of three contracts that are effective through June 30, 2019. Management believes that any adjustment from any renegotiations will not have a material effect on the accompanying financial statements.

17. Risk Management

The University is exposed to various risks of loss. The University participates in a consortium with nine other New Jersey colleges and universities to purchase property insurance. Buildings and equipment are fully insured on an all risk replacement basis to the extent that losses exceed $100,000 per occurrence, with a per occurrence limit of $2,000,000,000. The University also purchases coverage for certain types of theft of financial assets, which provides for the actual loss in excess of $100,000 with a per loss limit of $5,000,000, and for certain types of exposures related to cyber threats, which provides for the actual loss in excess of $50,000 with a per loss limit of $10,000,000.

All liability risk and employee benefit exposure, including tort, auto and trustees and officers' liability, workers' compensation, unemployment, disability, life insurance and employee retirement plans, are self-funded programs maintained and administered by the State. As an agency of the State, the University's liability is subject to all provisions of the New Jersey Tort Claims Act, the New Jersey Contractual Liability Act and the availability of appropriations. The Tort Claims Act provides for payment of claims under the Act against the State or its employees for which the State is obligated to indemnify against tort claims, which arise out of the performance of their duties.

All insurance policies are renewed annually. All State self-funded programs are statutory with an annual appropriation provided by the legislature. There has been no decrease in coverage during the current year. There have been no settlements in excess of insurance coverage.

The University may be the subject of employment related lawsuits not covered by the Tort Claims Act. The University retains the risk for any such settlements. Management believes that any employment settlements will not have a material effect on the accompanying financial statements.

18. Student Financial Assistance Program

The University's students receive support from Federal and State of New Jersey student financial assistance programs. The University's compliance with the requirements of the Federal student financial assistance programs authorized by Title IV of the U.S. Higher Education Act of 1965, as amended (Title IV Programs), is subject to annual audit by an independent auditor. Such compliance audits are subject to review by the U.S. Department of Education. Management is of the opinion that a liability, if any, resulting from compliance audits would not have a material adverse effect on the University's financial position.

19. Montclair State University Foundation, Inc.

Component Unit
For the years ended June 30, 2020 and 2019, total gifts and grants given to the University from the Foundation amounted to $6.4 million and $6.5 million, respectively.

Investments
The following applies to the Foundation's investments which are managed pursuant to a Board of Trustees approved Investment Policy Statement:

Valuation: Investments are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment funds.

Investment Income: Unrealized gains and losses are reported in the statements of activities as part of investment return. Interest and dividends from investments are recorded as investment return when earned. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of income.

Investment Income Allocations: The Foundation maintains investment accounts for its endowments, including quasi-endowments, under the pooled unitization method. Realized and unrealized gains and losses from securities in the investment accounts are allocated quarterly to the individual endowment funds based on the relationship of the market value of each endowment fund to the total market value of the investment accounts, as adjusted for additions to or deductions from those accounts.

For the years ended June 30, 2020 and 2019, Foundation's investments totaled $84.0 million and $83.0 million, respectively.

20. CARES Act Financial Assistance

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the United States Congress and signed by President Donald Trump on March 27, 2020. Part of the funding package, known as the Higher Education Emergency Relief Fund (HEERF), was designated for direct aid to colleges and universities to provide financial assistance to students who were impacted by the pandemic and the disruption of campus operations, as well as, to support additional costs incurred by the institution resulting from the COVID-19 health emergency. The act also included aid specifically intended for Minority Serving Institutions (MSI) which may be used for student support. Additional monies under the CARES Act were awarded to states, which may be made available to higher educational institutions subject to state program requirements. These include the Governor's Emergency Education Relief Fund (GEERF) and the Coronavirus Relief Fund (CRF).

The University was awarded a total of $19.9 million under the HEERF which is split equally between what is known as the student aid portion and the institution aid portion. The University elected to receive its funding on a cost reimbursable basis in a manner consistent with its other federal grants.

The CARES Act HEERF-Student Aid provided funding to institutions to provide emergency financial assistance to students whose lives have been disrupted, facing financial challenges and struggling to make ends meet. In April 2020, the University was awarded $9.9 million in student aid of which $5.6 million was distributed as of June 30, 2020. Aid was awarded to students based upon their responses to a questionnaire.

The CARES Act HEERF-Institution Aid provided funding to institutions to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. In May 2020, the University was awarded $9.9 million in institution aid. The University used the institutional aid to cover the costs of student refunds related to room and board.

The CARES Act MSI provided funding to institutions to provide emergency financial aid grants to eligible students. In June 2020, the University was awarded $1.4 million in minority institution aid. The University provided $97 thousand in aid to eligible students for the period ended June 30, 2020.

20. CARES Act Financial Assistance (continued)

As of June 30, 2020, the University has drawn down funding from the HEERF student aid portion of $5.6 million and for the institution portion $9.9 million. The University recognized the institution portion up to the amount on the student aid portion of $5.6 million and such is included in the non-operating section of the Statement of Changes in Net Position for the year ending June 30, 2020. The remaining institutional portion of $4.3 million is reflected as a deferred inflow of resources on the Statement of Net Position as of June 30, 2020.

On May 22, 2020, a total of $68.8 million GEERF funds became available to New Jersey's public colleges and universities to help institutions continue providing high-quality educational services to students amid the ongoing COVID-19 pandemic. GEERF Funding from the U.S. Department of Education provided Governors flexibility through an emergency block grant to decide how best to meet the needs of students, schools, postsecondary institutions and other education-related organizations in their states. The New Jersey Office of the Secretary of Higher Education (OSHE) has made this funding available through emergency assistance grants to institutions based on an OSHE-developed allocation formula that considers – among other things – institutional expenses incurred as a result of the pandemic. The University was awarded an allocated amount of $6.6 million which may be used for expenses incurred beginning March 13, 2020. On August 6, 2020 the University received $3.3 million of this award and the remaining amount is expected before the end of fiscal 2021.

On August 14, 2020, Governor Phil Murphy and OSHE announced that the Administration will award $150 million in CARES Act funds to New Jersey's public and private colleges and universities to help offset costs incurred as a result of the ongoing COVID-19 pandemic. The University was awarded an allocated amount of $15.1 million that is contingent upon the receipt of an application and budget. On November 24, 2020 the University received $15.1 million. On November 13, 2020, the Murphy Administration announced an additional $75 million in CRF for a total of $225 million in CRF. The University was awarded an allocated amount of $4.7 million which was received on December 23, 2020. Eligible expenses include those incurred between March 1, 2020 and December 30, 2020.

On January 14, 2021, the U.S. Department of Education announced an additional $21.2 billion was available to institutions of higher education to serve students and ensure learning continues during the COVID-19 pandemic. This funding was allocated to the Higher Education Emergency Relief Fund II (HEERF II) by the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which was signed into law by President Donald J. Trump on December 27, 2020. The University was allocated $31.7 million of which $9.9 million relates to the student aid portion and $21.7 million related to the institution portion. Amounts are expected to be received by the University upon a pending signed agreement.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Montclair State University
(A Component Unit of The State of New Jersey)

Schedule of University Contributions
(dollars in thousands)

	2020	
	PERS	PFRS
Contractually Required Contribution	$ 6,517,667	$ 1,977,547
Contributions in relation to the Contractually Required Contribution	$ 6,517,667	$ 1,977,547
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30, 2019)	32,277	2,499
Contributions as a percentage of Employee Covered Payroll	20.19%	79.13%

	2019	
	PERS	PFRS
Contractually Required Contribution	$ 5,720,979	$ 1,613,773
Contributions in relation to the Contractually Required Contribution	$ 5,720,979	$ 1,613,773
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30, 2018)	32,313	2,420
Contributions as a percentage of Employee Covered Payroll	17.70%	66.68%

	2018	
	PERS	PFRS
Contractually Required Contribution	$ 4,500,000	$ 1,500,000
Contributions in relation to the Contractually Required Contribution	4,500,000	1,500,000
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30, 2017)	30,903	2,484
Contributions as a percentage of Employee Covered Payroll	14.56%	60.39%

	2017	
	PERS	PFRS
Contractually Required Contribution	$ 3,226,352	$ 996,354
Contributions in relation to the Contractually Required Contribution	3,226,352	996,354
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30, 2016)	32,212	2,609
Contributions as a percentage of Employee Covered Payroll	10.01%	38.18%

	2016	
	PERS	PFRS
Contractually Required Contribution	$ 2,281,986	$ 617,857
Contributions in relation to the Contractually Required Contribution	2,281,986	617,857
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30, 2015)	31,508	2,515
Contributions as a percentage of Employee Covered Payroll	7.24%	24.57%

	2015	
	PERS	PFRS
Contractually Required Contribution	$ 1,125,651	$ 561,488
Contributions in relation to the Contractually Required Contribution	1,125,651	561,488
Contribution Deficiency (Excess)	-	-
University Employee Covered Payroll (reporting date June 30, 2014)	32,362	2,315
Contributions as a percentage of Employee Covered Payroll	3.48%	24.26%

Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the University
Last Ten Fiscal Years*
(dollars in thousands)

Public Employees' Retirement System (PERS)

Reporting fiscal year (Measurement Date, June 30,)	University's proportion of the net pension liability - State Group %	$	University's covered employee payroll	University's proportionate share of the net pension liability as a percentage of the employee covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020 (2019)	0.75%	$ 171,899	$ 32,277	532.57%	22.03%
2019 (2018)	0.73%	$ 172,619	$ 32,313	534.21%	22.11%
2018 (2017)	0.72%	$ 185,255	$ 30,903	599.47%	21.18%
2017 (2016)	0.73%	$ 215,708	$ 31,508	684.61%	19.02%
2016 (2015)	0.73%	$ 172,860	$ 32,362	534.14%	24.96%

Police and Firemen's Retirement System (PFRS)

Reporting fiscal year (Measurement Date, June 30,)	University's proportion of the net pension liability - State Group %	$	University's covered employee payroll	University's proportionate share of the net pension liability as a percentage of the employee covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020 (2019)	0.501%	$ 21,048	$ 2,499	842.26%	26.06%
2019 (2018)	0.525%	$ 22,738	$ 2,420	939.59%	25.84%
2018 (2017)	0.510%	$ 22,418	$ 2,484	902.50%	25.99%
2017 (2016)	0.447%	$ 21,068	$ 2,515	837.69%	24.70%
2016 (2015)	0.402%	$ 17,255	$ 2,315	745.36%	29.06%

Teachers' Pension and Annuity Fund (TPAF)

Reporting fiscal year (Measurement Date, June 30,)	University's proportion of the net pension liability %	$	University's covered employee payroll	University's proportionate share of the net pension liability as a percentage of the employee covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020 (2019)	0.005%	$ 2,942	$ -	0.00%	26.95%
2019 (2018)	0.005%	$ 3,196	$ -	0.00%	26.49%
2018 (2017)	0.005%	$ 3,610	$ -	0.00%	25.41%
2017 (2016)	0.005%	$ 4,275	$ -	0.00%	22.33%
2016 (2015)	0.027%	$ 17,290	$ -	0.00%	28.71%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trent is compiled, governments should present information for those years which information is available.

** The University did not have TPAF pensionable wages subsequent to the 2014 fiscal year.

Montclair State University
(A Component Unit of The State of New Jersey)

Schedule of the State's Proportionate Share of the OPEB Liability Associated With the University
State Health Benefit State Retired Employees Plan

Last Ten Fiscal Years*

	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
University's proportion of the total OPEB liability	0.00%	0.00%	0.00%
University's proportionate share of the total OPEB liability	$ -	$ -	$ -
State of New Jersey's proportionate share of the OPEB liability associated with the University	$ 278,973,080	$ 366,011,934	$ 418,649,617
Total OPEB liability	$ 18,205,874,446	$ 23,601,362,208	$ 28,104,795,207
University's covered-employee payroll	$ 153,370,916	$ 151,734,073	$ 126,232,049
University's proportionate share of the collective total OPEB liability as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Pensions

Benefit Changes

None.

Changes of Assumptions

PERS

The assumed rates of termination, retirement, mortality, disability, salary increases, and inflation were updated based on the most recent experience study. The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019.

PFRS

The assumed rates of termination, retirement, mortality, disability, salary increases, and inflation were updated based on the most recent experience study. The discount rate changed from 6.51% as of June 30, 2018 to 6.85% as of June 30, 2019.

Post-Retirement Benefits

Benefit Changes

Effective April 16, 2019, the State Health Benefits Program Plan Design Committee approved and adopted a new PPO plan design (referred to as the "NJDIRECT Plan" but also includes the "CWA Unity Plan" for retirees affiliated with the CWA) which replaces all current PPO plan offerings for State pre-Medicare future retirees. Any State pre-Medicare retiree who enrolls in the NJDIRECT Plan will be required to contribute a percentage of their retirement allowance instead of a percentage of the cost of health coverage as required under Chapter 78.

Changes of Assumptions

Mortality rate assumptions, trend rate assumptions and discount rate assumptions have been updated from the June 30, 2018 valuation to be consistent with industry standards. The discount rate changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019. Enrollment percentages for spouses of future retirees and future retiree PPO and HMO elections have been updated based on recent experience. Active decrement assumptions (disability, retirement, termination) and salary scale assumptions have been updated consistent with the most recent experience studies.